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INTERNATIONAL  
DEVELOPMENT**

**SOFIA, BULGARIA**

**RESULTS REVIEW  
AND  
RESOURCE REQUEST**

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## **USAID/BULGARIA RESULTS REVIEW AND RESOURCE REQUEST**

### **Part I: OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE**

#### **1. Political, Economic and Social Changes and Trends**

Significant changes occurred in the broad development context in Bulgaria over the past year. Although, most of these changes have already been reported and discussed in the strategy document developed by the mission in November, 1997, opening the R4 with a brief summary of the most significant developments is necessary to set the scene for more detailed performance analysis of the individual objectives.

Early 1997 started with the most profound economic and political crisis in recent Bulgarian history. The crisis stemmed largely from a failure of past political regimes to commit to fundamental economic reforms after the fall of communism in 1989. In January and February 1997, thousands of Bulgarians voiced their anger and discontent through daily nation-wide protests against the Government and the deteriorating economic conditions. They demanded pre-term parliamentary elections and finally forced out the socialist (ex-Communist) government. The pre-term elections held in April resulted in the Union of Democratic Forces (UDF) achieving a parliamentary majority, and a new reform-minded government headed by Prime Minister Ivan Kostov taking office. The first acts of the new parliament affirmed Bulgaria's commitment to fundamental economic reforms, and established accession to the European Union (EU) and NATO as paramount national policy objectives.

Contrasted with the economic crisis, the political crisis was the easier to resolve. This was confirmed by the assessment made by the European Commission (EC) of the situation in July 1997. The major finding of the EC assessment was that the Republic of Bulgaria had built-up democratic institutions whose stability seemed unquestionable, and that the country was on its way to satisfying the political criteria for EU membership.

Nevertheless, the EC made the following specific recommendations:

- (1) to strengthen the democratic institutions in practice, mainly in view of observing the principle of the rule of law at all levels in the State apparatus;
- (2) to remove the drawbacks in the area of respect for fundamental human rights;
- (3) to reinforce the fight against corruption;
- (4) to improve the management of judicial activities;
- (5) to ensure full protection of individual freedoms, especially in cases of abuse of power by the police and the secret services;
- (6) to make greater efforts to integrate the Roma population.

The EC recommendations established the priorities for the Government of Bulgaria (GOB) in the area of democratic initiatives, and some specific steps have already been undertaken. In the medium-term, a priority of the government is the implementation of comprehensive administrative reforms which will ensure stability and the strengthening of an administrative structure serving a newly democratic society. In the area of anti-

corruption, legislative rules were put in place by the government in order to carry out the reform of the judicial system. Hereafter, GOB efforts will be concentrated on strengthening the law-enforcement bodies and on improving their effective operation.

The most daunting challenge faced by the new government in the second half of 1997 was economic reform. Fast and efficient steps were necessary in order to stop the backsliding that began in 1995. In May 1997 the new parliament endorsed the introduction of a currency board, anti-corruption measures, EU membership, deep social sector reforms, and a medium-term program of economic revival emphasizing accelerated structural reforms and the promotion of foreign investment. On July 1 the Currency Board Arrangement (CBA) was introduced and strictly linked the domestic money supply to the level of foreign currency reserves, at a fixed Deutsche Mark exchange rate against the Leva. Closure or isolation of state-owned enterprises (SOE) responsible for 28% of budgetary losses was accomplished in 1997. About 22% of long-term state assets in non-financial enterprises have thus far been sold to the private sector. The government target is to sell one-half of all SOEs by the end-1998, including 143 major enterprises, and two-thirds of the remaining state-owned banks.

Bulgarian financial indicators responded dramatically to the early reforms. Inflation was reined in from 240% in February 1997, to 1.5% in December the same year. The projections are for 15-20% annual inflation in 1998 which sharply contrasts with the 569% rate recorded in 1997. Interest rates which had soared to 25% per month in early 1997 have tumbled, and three-month Bulgarian government debt is now trading at slightly less than 6% with two year paper trading at 7%. The 1997 budget deficit, 3.6% of GDP, was only 58% of the mid-year projection. The fiscal deficit for 1998 is projected to further decline to 2%. While output fell dramatically in the first half of the year, price and currency stability slowed the contraction in the second half. According to a recent report of the Organization for Economic Cooperation and Development (OECD), Bulgaria's economy is now "exceeding all expectations," and is expected to grow by 3% in 1998, whereas it contracted 7.5% in 1997. The OECD estimate is consistent with Government projections which estimate between 2-4% growth. Despite forecasts for accelerated economic growth in the second half of 1998, unemployment will, however, likely rise as the privatization process gains momentum.

After eight months of operation, the Currency Board has had an undeniable stabilizing macro-economic impact. Currency fluctuation was halted, interest rates and inflation dropped, and growth has resumed. In late 1997 Moody's raised Bulgaria's foreign debt rating to B2 from B3, with the other major rating agencies following suit. In April 1998 IBCA bumped the rating up another notch to B+, with Moody's and S&P upgrades expected imminently. These series of upward revisions reflect continued and growing confidence in the Bulgarian Government, and in the reforms which it has set in motion. However, despite these very positive trends, banking sector reforms have not yet taken hold. Financial intermediation remains shallow, and continues to exert an unmistakable effect on business and output. Coupled with shrinking domestic demand for goods and services, retail sales as of November 1997 were one third lower than in the prior year.

## **2. EU Accession and Requirements Related to It**

The accession of the Republic of Bulgaria to the European Union is a major priority and objective of the new Bulgarian Government, and for which all major political forces have reached a consensus. The political and economic criteria which Bulgaria and other accession candidates must satisfy were formulated in 1993 by the European Council at Copenhagen. These are the following, and are implicit in USAID's current strategic targets for Bulgaria:

- Stability of the institutions guaranteeing democracy, the rule of law, respect for human rights, and respect for the protection of minorities;
- Existence of a functioning and open market economy able to sustain the competitive pressure within the European Union;
- Ability to uphold the obligations of membership, including adherence to the aims of political, economic and monetary union.

The primary constraints that the government must overcome include a bloated state sector, an insolvent banking system, pervasive corruption and crime and, more generally, inadequate rule of law and enabling environment for equitable and robust private sector development. These areas demanding critical reform are also recognized by the IFIs and are inherent in IMF and World Bank conditionality. Central priorities of the government, and the means by which it seeks to motivate institutional integration with the West, include: (a) comprehensive, quick, and transparent privatization of SOEs, with full participation from foreign investors; (b) stabilization and restructuring of the financial sector through reform of the banking system and development of the capital markets; (c) a commitment to fighting organized crime and corruption with a focus on public administration reform; (d) development of agriculture through land reform and privatization; and (e) a social policy which strives to include all Bulgarians in the gains from the economic and political reforms.

The biggest economic challenge faced by the GOB in 1998 is to build upon the stability induced by early reforms, and spur broad-based growth, while at the same time upholding the IMF fiscal and monetary conditionality. This was the major topic of discussion at the workshop on economic policy, organized by the GOB for the IFIs in late March, 1998.

### **3. Other Donors**

With the change of the government and demonstrated commitment to move forward with structural reform, Bulgaria is the target of substantial and increasing financial support from international donors. Gross disbursements projected for both 1997 and 1998 amount to more than \$1 billion, with the IMF, European Union and the World Bank topping the list. Bulgaria's commitment to institutional integration with the West, and accession to the EU in particular, is actively supported by an ever-expanding EU-PHARE program which is expected to provide approximately \$100 million in both 1998 and 1999 to finance EU accession related activities. Subsequently, when some of the Northern Tier countries accede to the European Union, EU support for Bulgaria is expected to increase substantially. As the EU targets and reallocates resources to fill accession "gaps" and key infrastructure weaknesses, the potential for complementarities between the U.S. and EU programs grows.

Bulgaria's changing environment will, however, impose new demands and requirements upon USAID. Currently, the U.S. manages the largest bilateral assistance program, and has been able to increase impact and results through close technical and financial coordination with other donors. Serving in a catalytic role, USAID has established models which others have adopted and used more broadly. USAID's ability to respond quickly to key reform issues, and define successful responses, is one of USAID's pre-eminent comparative advantages. USAID's well-conceived and well-delivered technical assistance can and does leverage substantial funds from the IMF, World Bank and EU PHARE.

#### **4. Strategy for a Changing Environment**

Responding to the complex challenges and opportunities afforded by Bulgaria's reform, in late 1997 USAID advanced a new country strategy designed to accelerate Bulgaria's transition to a market-oriented democracy, and to "graduate" the country from U.S. assistance over the five-year period, 1998-2002. Bulgaria's strong commitment to the European Union strongly influenced the graduation objective. Over the last four months, the link between USAID programs and the EU accession criteria has become tighter. Several new indicators have been developed that capture USAID's contribution to the GOB achieving EU accession criteria. The linkages are strongest in the areas of combating corruption and establishing an improved judicial system where EU requires improved operation of the judiciary and reinforcement of justice institutions. USAID is directly contributing to the latter through enhancing judicial qualifications through improved preparation of law school students and through continuing legal education. Linkages exist in supporting the development and passage of legislation that facilitate private sector activity, assisting Bulgarian private enterprises in becoming more export oriented and internationally competitive, and organizing private business into effective proponents for open and competitive markets. In addition, USAID will assist in the implementation in a number of financial sector reforms that will be required for Bulgaria's accession to the EU.

The USAID strategy strives to ensure maximum impact from current reform opportunities, while building on the successful precedents of on-going programs. Fundamental to USAID's new strategy, is the commitment to establish self-sustaining local capacity by building intermediary support institutions which can assist local level constituents.

There are two major thrusts to the overall USAID country strategy. One is an extension and maturation of the mission's bottom-up emphasis to help assure sustainable and broad based growth. The focus is on integrated regional development. The second represents new or intensified emphases towards strategic interventions for national reform in the critical areas of financial markets and the rule of law. Corruption is also a focus; a cross-cutting issue that is being addressed across four strategic objectives.

The strategic choices that USAID/Bulgaria has made call for promoting the growth of private enterprises (*SO 1.3*) and strengthening local government (*SO 2.3*). These have been the flagship programs of the country strategy, and the pillars of its New Partnerships Initiative (NPI). USAID's citizens' participation objective (*SO 2.1*) is the critical third pillar of the NPI and a necessary complement to *SO 1.3* and *SO 2.3* in further strengthening grass roots democracy and realizing the potential of regional development

for broad based growth.

USAID's rationale for conceiving new strategic objectives related to strengthened financial markets (*SO 1.4*) and an improved judicial system (*SO 2.2*) is an outgrowth of the opportunities created by the changed political and economic environment in the country, and the new priorities that have been advanced by the GOB. Both *SO 1.4* and *SO 2.3* are essential to Bulgaria's successful transition to an open and free market in a democratic society; though little progress has been made to date on establishing the necessary policies, institutions, and competencies. At present, the Government exhibits strong political will and commitment to reform in most key areas.

## **5. USAID/Bulgaria's Program and the U.S. National Interest**

The U.S. Strategic Plan for International Affairs (SPIA) identifies six over-arching "U.S. National Interests" guiding the worldwide conduct of American foreign policy. Among these, the U.S. Mission in Bulgaria has identified National Security as the preeminent U.S. national interest in Bulgaria. Of sixteen possible "Mission Goals," the U.S. Mission has identified nine which are paramount to the U.S. interest in Bulgaria at this point. Of those nine, USAID/ Bulgaria's program directly contributes to two of them, broad-based economic growth and democracy; and indirectly supports four others: regional stability, U.S. exports, international crime and environment. In the recent past the U.S. Mission mounted a successful humanitarian assistance (HA) effort; any further programs in this area will contribute to the goal of regional stability.

The U.S. Mission's broad-based economic growth (BG) Goal is directly addressed by the range of programs under Strategic Objectives 1.3 and 1.4, which together encompass two priorities (Strategic Objectives) guiding efforts to achieve the Goal. First, we seek accelerated development and growth of private enterprises in a competitive environment (*SO 1.3*). The second priority is achievement of a more competitive and market responsive private financial sector (*SO 1.4*). The BG programs link to the U.S. exports (EX) Mission Goal primarily through firm level support and the assistance provided in the banking sector. U.S. exports are promoted implicitly as numerous American business consultants catalyze U.S. - Bulgarian business linkages, and activities stimulate economic growth and demand for imports.

The U.S. Mission's Democracy (DM) Goal is directly supported by a broad range of USAID programs. USAID's DM program has three priorities: First, we emphasize the importance of increased, better informed citizens' participation in public policy decision-making (*SO 2.1*). Second, we concentrate upon programs seeking to ensure that local governments are making responsive choices and acting on them effectively and accountably (*SO 2.3*). Third, the USAID democracy strategy seeks an improved judicial system that better supports democratic processes and market reforms (*SO 2.2*). The anti-corruption activity which mainly contributes to the DM Mission Goal is in effect a crosscutting one for all USAID strategic objectives. USAID-assisted work with the judicial system and the anti-corruption program often may serve to augment work by other elements of the U.S. Mission in pursuit of objectives under the International Crime (IC) Mission Goal.

Regional stability (RS) in the eastern Balkans is served through providing humanitarian assistance at times of crisis as a primary means for avoiding tension in Bulgarian society. The Environmental (EN) Goal is sustained through Global Climate Change initiatives for market-based energy policies and in energy efficiency activities that are incorporated into the Local Government Initiative, and through support through HIID for the environmental policy agenda. EN is also supported by prior-year financing of continuing biodiversity and solid waste management programs.

The Mission Program Plan of the U.S. Mission to Bulgaria will be submitted shortly after this R4. Higher-order objectives (Intermediate Results), assumptions and indicators of the R4 methodology have proven appropriate to the MPP and are expected to be incorporated into it with little modification.



**USAID/BULGARIA**  
**RESULTS REVIEW AND RESOURCE REQUEST**  
**Part II: RESULTS REPORTING BY STRATEGIC OBJECTIVES**

**Summary Performance Table**

Objective Name	Rating	Evaluation findings
SO 1.3: Accelerated Development and Growth of Private Enterprises in a Competitive Environment	Exceeded	Based upon independent evaluations conducted by the OECD and other outside consultants, and according to the results recorded under the SO 1.3 standard reporting system and as corroborated in a USAID four-country assessment, indicator targets were met and exceeded
SO 2.1: Increased, Better-Informed Citizens' participation in Public Policy Decision Making	Met	In its <i>Nations in Transit 1997</i> , Freedom House assessed the democratization trends into five sectors: political process, civil society, media, rule of law, and governance and public administration. By this assessment rule of law and governance and public administration are least developed in Bulgaria; political process and media are most advanced; and civil society is somewhere in between.
SO 2.3: Local Governments are Making Responsive Choices and Acting on them Effectively and Accountably	Exceeded	Evaluations are primarily based on contractor's reports.
Percent funding through NGOs and PVOs: FY98 16.51%; FY99 16.67%; FY00 34.25%		

**SO 1.3:**

Under Strategic Objective 1.3, USAID exceeded its goals and all targets in promoting the sustainable economic development of private enterprises in a competitive environment, through the creation of an enabling legal environment, and in association-building and enterprise growth.

In response to the dramatic economic changes in early 1997, USAID reoriented its private sector program, and laid a strong foundation for enterprise assistance which is based upon support for business associations and other intermediate support organizations. As such, under *IR 1.3.2* association membership swelled 20% against a target of 10%. One target association, the Bulgarian Association of Partnerships (BAP), spawned a coalition of associations representing nearly 100,000 workers, approximately 10% of Bulgaria's private sector workforce.

In addition, key programs such as ABA/CEELI and the Implementing Policy Change (IPC) Project helped BAP and other associations comment on and review more than 10 laws affecting private sector development and growth; well in excess of the original *IR 1.3.1* target of four laws.

Working through associations and domestic consulting firms, assistance to enterprises generated \$6 million in business linkages under *IR 1.3.2.1*, against a target of \$4 million. Having exceeded targets at all intermediate and sub-IR levels, USAID assistance fueled an

increase in the private sector's contribution to GDP which rose to 55% from 35%, exceeding the target of 45%.

### **SO 2.1**

The performance of this SO was mixed. The targets for some IRs have been exceeded, however most of them were low level results. In addition, the RF and the indicators associated with the IRs and the SO itself do not adequately capture impact of U.S. assistance at the sectoral level. Nevertheless, some positive developments have been witnessed during the past 12 months in the area of lobbying and advocacy, partnerships and media legislation. Given the recent progress by the grantee in implementing changes and improved results, this strategic objective has met its performance targets.

### **SO 2.3**

Despite setbacks explained in the narrative for the SO, USAID's focused effort on key municipalities and associations clearly paid off since significant achievements were accomplished in spite of the disruption to the U.S. assistance program. Our new strategy reinforces the achievements of our Bulgarian partners by working assistance through these entities as Intermediate Support Organizations (ISOs). USAID's indigenous partners under SO 2.3 have moved the farthest ahead in building their capacities as ISOs and in developing a strong constituency among municipalities. Given the key role played by our Bulgarian partners in developing an effective working relationship with the new government, this strategic objective has exceeded its performance targets.

### **SO 1.3: Accelerated development and growth of private enterprises in a competitive environment**

#### **1. Performance Analysis:**

In furthering the goals of the mission and the U.S. assistance program, *SO 1.3* seeks to promote broad-based growth and the sustainable economic development of private enterprises in a competitive environment. The objective will fuel broad-based growth which will promote national and regional economic stability and thereby satisfy U. S. foreign policy interests related to national security. In order to achieve these goals, USAID private enterprise strategy reformulated over the course of 1997 as a result of the economic crisis caused by a collapse of the financial sector which paralyzed enterprises and resulted in a contraction of gross domestic product.

The new foundation for enterprise assistance is based upon assistance to business associations and Intermediate Support Organizations (ISOs) in order to promote broad-based growth. ISOs are the core of all USAID/Bulgaria's private sector initiatives. In 1998, and through to close-out, assistance to ISOs will help them to serve as the voice representing enterprise interests in policy and legislative lobbying and advocacy, and as the conduit for technical and other assistance. The changes are fully reflected in the five year Strategic Plan approved in February 1998.

The Strategic Framework and Performance indicators reflect the new Strategy, and were refined with counterpart and consultant input. The new results framework, the basis for *SO 1.3* reporting, emphasizes the shift to a legal, regulatory and institutional approach which is underscored by the restructuring of the results framework itself. Assistance in developing an enabling legal environment is now the first *IR 1.3.1*. Support for ISOs is now *IR 1.3.2*, with support for enterprises and firms captured as a sub-IR. These changes reflect the fundamental shift from support for enterprises and firms, to ISOs which effect change and create the viable and sustainable institutions that will remain when USAID assistance is concluded. This approach is fully consistent with USAID/Bulgaria's closeout strategy.

USAID initiatives exceeded targets at all levels: Strategic Objective, Intermediate Result (IR), and sub-IR. A well-coordinated USAID technical assistance effort drawing on the resources of several counterparts provided the impetus in the amendment or drafting of ten key pieces of legislation. While at year-end this result only met the target, the target itself was revised upward mid-year as a result of strong performance based in a full legislative calendar. USAID will continue to support this key initiative which is critical to the creation of a strong enabling environment for enterprise development and ultimately for EU accession.

Progress at each of the Intermediate Results levels helped to boost the private sector's share of GDP to 55%<sup>1</sup>, which at year-end significantly exceeded the *SO 1.3 target* of 45%. A substantial share of the private sector's gains are associated with enterprise privatization, and, here too USAID's role was substantive, albeit limited in scope. USAID

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<sup>1</sup>Bulgarian Academy of Science (Economic Institute), "Bulgaria's Economy until year 2000", Sofia, Bulgaria, page 71

assistance was catalytic in establishing a model for case-by-case privatization which was subsequently adopted by other donors, notably the EU Phare. Under case-by-case privatization, USAID mobilized technical assistance and prepared three chemical firms for sale at the request of the Government. All three have received multiple bids and negotiations are now underway, with each expected to sell in whole or in part by the fall of 1998. Progress on this front will further support *SO 1.3 targets*.

In addition to the above-mentioned changes to the results framework, additional amendments were made to capture and reflect Bulgaria's drive toward accession with the European Union, and the Government's own export-oriented growth strategy. As such, USAID will track the growth of non-energy exports to the EU, and such growth in aggregate, as important proxies of competitiveness. This growth is ultimately one litmus test for integration in the European market. Baseline export indicators comprising an SO-level result, have been established for aggregate exports which decreased .6%<sup>2</sup> in 1997, and EU exports which increased 11.4%<sup>3</sup>.

### **Activity Specific Results**

In response to changes in the results framework, and in an effort to introduce rigor in monitoring and reporting, all programs working under *SO 1.3* have refined their indicators and revised the annual targets for FY 1998 and beyond. Performance measurement now better captures the impacts at all SO and intermediate results levels.

USAID/Bulgaria's new *SO 1.3* initiatives seek to strengthen those sectors and industries critical to economic stabilization and growth. The Prime Minister has repeatedly underscored the country's drive to increase exports and financial intermediation, and to develop the expertise of Bulgaria's consulting firms. These are integral to the *SO 1.3* program, and since early 1997 FLAG and its counterparts have focused on exporters, financial sector firms, and the consulting industry, the latter being particularly important for the sustainability of fledgling private sector firms.

Contributing to *SO 1.3* Intermediate Results are four complementary programs comprising the Implementing Policy Change (IPC) and ABA/CEELI activities, the Firm Level Assistance Group (FLAG), CARESBAC/SEAF, and energy. With the exception of energy, the other three programs contribute to various intermediate results, each of which support increased private sector contribution to GDP, and increased EU and non-EU exports, which are the Strategic Objective level indicators.

**A. Legal & Policy Reform (IR 1.3.1):** The Implementing Policy Change (IPC) project, in conjunction with the ABA/CEELI program, collaborated on numerous initiatives supporting private sector participation in the legislative and policy formulation processes. USAID met its target under *IR 1.3.1* and saw 10 laws presented to the Council of Ministers after public review and comment. Most notable were the ratification of an SME Law and the amendments to the Foreign Investment Act and the Privatization Law. In this process, IPC and CEELI supported the Economic Commission in Parliament, helping it to create the forum for comment. Together, IPC and CEELI organized and facilitated

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<sup>2</sup>The Economist Intelligence Unit, *Country Report, Bulgaria, 4th quarter 1997*, page 25

<sup>3</sup>Ibid, page 25

round table discussions between policy makers, business associations, private enterprises, and in some cases, foreign investors. Following the round tables, IPC disseminated the draft laws to a wide group of interested business parties, collected their comments, and prepared recommendations which were presented to the Economic Commission. This effort signaled a milestone in public-private dialogue.

Other legislation in which the private sector participated includes the Securities, Stock Exchanges and Investment Companies Act, the Concessions Law, the Energy Law, the Pension Law, the Bankruptcy Law and the Banking Act, in addition to legislation which has yet to be submitted to Parliament including changes in accounting and tax legislation, a Grain and Warehouse law, the Protection of Agricultural Producers Law, and others.

IPC provided complementary support to the Economic Commission helping it to organize a succession of Regional Town Hall Meetings on SME policy issues. Seven regional meetings have been held thus far, and have contributed to developing better understanding within the business community, and resulting in better informed and improved policies, laws and regulations affecting business in Bulgaria. In each city, Members of Parliament met with Mayors, District Governors, Regional Representatives, Representatives of Municipalities, Regional Business Associations and most importantly SME representatives and business leaders. This effort directly supports *IR 1.3.1* which seeks to increase public participation in legislative and policy drafting. More than 400 business managers and entrepreneurs participated in the Town Hall meetings, and voiced their concerns on business-related issues. Concerns, not surprisingly, focused principally on taxes, customs and duties, but also addressed municipal privatization, bureaucracy and corruption, and access to capital and credit. This initiative remains ongoing and has proved excellent in building a foundation for public-private dialogue.

**B. Association Strengthening:** (*IR 1.3.2*) USAID works actively with business associations to help them improve and introduce new member services, and to increase their revenue and fee base. FLAG-assisted associations increased their fee-paying membership 20%, well in excess of the 10% target under *IR 1.3.2*, and also produced a 26% increase in the number of services offered. FLAG assisted more than 50 associations representing hundreds of enterprises. One, the Bulgarian Association of Partnerships (BAP), spawned a broad coalition of associations which together represent nearly 100,000 workers. Among the associations receiving FLAG technical assistance are: 9 in agribusiness; 7 in consulting and financial services; 5 in tourism, and 2 in light manufacturing and advertising.

Assistance provided by two *SO 1.3* partners supported the Bulgarian Association for Partnerships (BAP) which as a result is performing an increasingly important and prominent role in business representation and service delivery, and in private sector advocacy. BAP has become an over arching business association representing a broad spectrum of sectoral interests. BAP has organized national policy conferences, and has seen its influence accrue. The BAP SME Strategy and Policy Agenda advanced in November 1996 was adopted by the incoming government as the policy plank in its SME platform. Now, BAP representatives sit on three legislative drafting committees and their comment has been solicited for all major laws affecting SMEs. .

In late 1997, BAP spawned the National Forum (NF), a coalition of associations

representing more than 35 business associations. Together with the NF, BAP sponsored a third national SME conference in February 1998, the main purpose of which was to review and present the first draft of the National Strategy on SME Development. The strategy was developed by BAP, the NF and other organizations at the request of the Government. This SME strategy is a direct outgrowth of BAP's original policy paper advanced one year earlier, and outlines the priorities for private sector growth in establishing an enabling environment for entrepreneurship and increased international competitiveness.

**C. Firm Level Results (*IR 1.3.2.1*):** FLAG draws upon the resources of seven different team members whose pooled expertise and skills target private sector growth. FLAG contributes to several intermediate results, and during the reporting period technical assistance was tailored to respond to economic changes and the new USAID strategy. Effort increased in key sectors including: consulting and financial services, light manufacturing, agribusiness and tourism, with a particular emphasis on exporters and foreign exchange earners. Solid performance was registered in the growth of target firms' sales which increased by 17.5% against a 15% target, and an increasing number (15%) more export-oriented firms received assistance. Under the new *IR 1.3.2.1*, the value of linkages formed exceeded expectations by several million dollars, producing nearly \$ 6 million in transactions. In order to be more rigorous in reporting, "linkages established" is defined under the new performance measurement system as those actions generating revenue or cash flow for the target firm.

In addition to enterprise-level results, FLAG channeled increased assistance through local consultants whose client-base increased by 7.5%. Early in FY 1998, FLAG broadened its definition of a consulting company to include all service-providers assisting enterprises to perform tasks which they would not otherwise perform themselves. As such, advertizing and marketing firms, and financial services firms including privatization funds, investment intermediaries and others engaged in funds management, corporate finance, strategic management and sector analysis are captured by this definition.

These successes can be attributed to FLAG's flexibility, its ability to target clients with excellent growth potential, and the increased quality of FLAG services due to a more rigorous and exhaustive needs assessment process.

**D. Debt & Equity Finance:** Access to short and long-term credit remains a critical and fundamental constraint to capital formation, private sector growth and employment creation. Although the lion's share of the effort in promoting financial stabilization is conducted under *SO 1.4*, CARESBAC-SEAF/Bulgaria is notable because of the role that it plays in providing equity financing to a small number SMEs. SEAF pioneered a model, taking a minority position in high-potential firms with the capacity to generate "venture capital" returns. In FY 1997 SEAF had invested \$4 MM in 23 private firms. SEAF hit all of its targets, and with a current pipeline of 24 projects, SEAF's portfolio is expected to double in 1998. SEAF, however, sees itself not only as a source of equity finance, but also as a provider of technical assistance. To this extent SEAF-assisted firms have grown appreciably fueling the creation of 265 new jobs -- a 77% increase over the past three years.

**E. Energy:** USAID has invested heavily in energy sector reform, and was responsible

for the market-oriented pricing and tariff policies adopted in late 1996 and early 1997. As a result of Bulgaria's economic crisis, however, commitment to price reform was relaxed. Energy prices edged lower, and ultimately fell below the agreed-upon targets established as a condition for a \$100 million World Bank Loan. Back-sliding on price reform is emblematic of weak commitment to energy sector reform exhibited by the principal Bulgarian institutions; the Committee of Energy and the National Electric Company. Despite Bulgaria's protracted need for technical assistance in advancing an energy policy, strategy and law, the political will has not been apparent or sufficient.

Despite vigilant efforts over the prior four years and into FY 1998, USAID and the IFIs have been largely unsuccessful in influencing energy sector restructuring. Despite pressure from the IFIs encouraging more aggressive energy sector reform, the direction and pace of change has been persistently discouraging.

USAID/Bulgaria has supplied various technical assistance to the Committee of Energy over the years, most recently in drafting an Energy Law. While drafting of this law fulfills the *IR 1.3.1.1* target in practice, in principle, the spirit of the Energy Law which was ultimately presented by the COE is inconsistent with many of the basic elements which USAID and IFIs espoused.

## **2. Expected Progress Through FY00 & Management Actions**

**A. Private Sector Support:** In light of the current economic environment, and the changing micro and macro financial climate, USAID will increase its emphasis under *IRs 1.3.1 and 1.3.2* on continued institutionalization of the legal and regulatory structures, and on the associations and organizations that support private sector growth. Under Strategic Objective 1.3, USAID will sharpen the focus on higher-level objectives which will foster sustainability and local capacity-building and which lead to EU Accession.

In accord with the USAID's close-out strategy, the ultimate goal of S O 1.3 is to achieve sustainable broad based growth to support Bulgaria's integration with Western markets, and prepare Bulgaria's firms for Western Competition. In order to achieve this goal a number of priorities have been advanced by the EU and other donors. These include:

- Increased private sector competitiveness with European and global markets (*SO 1.3*);
- Improved private sector participation in the decision-making process (*IR 1.3.1*);
- Strengthened and effective market structures (*IR 1.3.2*);
- Decreased administrative barriers to private business entry and exit, and particularly for SMEs (*IR 1.3.1*);
- Improved financial services and financial intermediation for entrepreneurs and SMEs (*IR 1.3.1 and SO 1.4*).

Critical to accomplishing these goals is a sound and robust enabling environment which fuels private sector growth and competitiveness. USAID will maintain support for initiatives providing greater public participation in the legislative process (*IR 1.3.1*), but will also expand its assistance to select governmental bodies which are substantively

engaged in private sector development. In particular, targeted assistance is envisioned for Commodity Exchange and the Commodity Commission, two entities central to agricultural and produce markets. In addition, USAID plans to support increased financial intermediation in the farm sector by working across line agencies and Ministries to develop a Warehouse Receipts program. Consistent with the new USAID/Bulgaria strategy, assistance may also be provided to the Ministry of Trade and Tourism in export promotion, and the Ministry of Agriculture in promoting and enforcing quality standards.

In an effort to optimize resource efficiency and fit within gradually decreasing fund levels for this objective, USAID will concentrate programs in areas of greatest opportunity and potential. Possibilities exist for close cooperation with other donors' such as the World Bank/IFC, the EU PHARE, Dutch and Swiss Aid, KHF and the private sector in strengthening the enabling environment (*IR 1.3.1*), and in supporting associations (*IR 1.3.2*) and enterprises (*IR 1.3.2.1*).

All activities initiated under *SO 1.3* will support Bulgaria's efforts to meet EU accession criteria; build strong business associations and institutions, and create a dynamic competitive private sector. Concurrently, FLAG has initiated and is developing some new initiatives which will further supplement private sector growth. In conjunction with consulting firms, and through associations, USAID will continue to deliver technical assistance which helps Bulgarian business overcome the principal obstacles obstructing growth.

**B. Energy:** As a result of poor energy-sector policy performance, USAID/Bulgaria has scaled back its program and plans for energy sector interventions in the short-term. Based upon the expectation that IFIs will negotiate energy sector conditionality in upcoming loan negotiations, and that this will motivate necessary governmental decision-making, existing pipeline resources, in conjunction with modest supplementary funding, will preserve USAID's ability to deliver technical assistance swiftly if such a need arises. Programs to support energy efficiency at the local level have been performed relatively well, and have been absorbed into *SO 2.3*. As of April 1998, no unusual or urgent needs are anticipated which could not be served by pipeline resources, with medium-term needs satisfied by limited funding levels for the next two years.

**C. Macro-economic Stability:** USAID's revised strategy seeks to create an institutional, legal and regulatory foundation for macro-economic stability which will foster micro-economic growth. USAID is launching an initiative targeting two of the principal institutions which are fundamental to shaping the government's future economic and financial policies. Technical assistance will be provided to the Agency for Economic Analysis and Forecasting (AEAF) which, in collaboration with an independent policy think-tank, the Center for Economic Development, has advanced an ambitious program. Research and analysis will focus on four key areas:

- Private pension and healthcare reform;
- Trade policy and export promotion;
- Macro-economic stability, including fiscal and banking sector reform,
- Micro-economic growth based upon a vibrant enterprise sector.

Support for the AEAF is closely tied to USIS/Bulgaria's Ron Brown Fellowship program,



under which the most promising economic scholars will receive U.S. training. The AEAF will supply Fellowship recruits, and once they are trained, employ their knowledge in shaping economic policy.

These two initiatives are critical to developing Bulgaria's institutional capacity to produce economic analyses and forecasts. Because of the importance of the macroeconomic advisory services in conjunction with the Ron Brown Fellowship program in identifying and training the next generation of Bulgarian economists, funding will be maintained at a substantial level through 2001.

**D. Management Actions: Staff**

Strategic Objective 1.3 has been on-going, though the breadth and complexity of activities is increasing substantially. New initiatives related to credit mobilization and targeted assistance to line agencies and departments (perhaps including agriculture) will significantly increase workloads. Based upon this, one additional USDH has been added in FY98 to the Economic Restructuring and Growth (ERGO - *SO 1.3*) team.

### 3. Performance Data Tables

<b>Strategic Objective 1.3:</b> Accelerated development and growth of private enterprises in a competitive environment			
<b>APPROVED:</b> 05/96 <b>COUNTRY/ORGANIZATION:</b> USAID / Bulgaria			
<b>RESULT NAME:</b> SO 1.3 Accelerated Development and Growth of Private Enterprises in a Competitive Environment			
<b>INDICATOR:</b> Private sector share of GDP			
<b>UNIT OF MEASURE:</b> Annual Percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> National Statistical Institute; BAS; IMF; WB reports	1996 (B)		35%
<b>INDICATOR DESCRIPTION:</b> Proportion of GDP provided by private sector	1997	45%	55%
<b>COMMENTS:</b> Financial stabilization and privatization underway, which will ease entry of new firms, and transform state owned enterprises into privately held entities. USAID programs target both private and privatized firms through technical assistance delivered by associations, ISOs and consulting firms.	1998	62%	
	1999	66%	
	2000	70%	
	2001	75%	
	2002	80%	

<b>Strategic Objective 1.3:</b> Accelerated development and growth of private enterprises in a competitive environment			
<b>APPROVED:</b> 05/96 <b>COUNTRY/ORGANIZATION:</b> USAID / Bulgaria			
<b>RESULT NAME:</b> IR 1.3.1 Development of Laws, Policies , Regulations & Institutions Which Enable Private Sector Growth			
<b>INDICATOR:</b> Laws, regulations and policies amended, drafted or reviewed by private sector interests and presented to Parliament.			
<b>UNIT OF MEASURE:</b> Number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> National Assembly; IPC; ABA/CEELI; GOB	1997	10	10
<b>INDICATOR DESCRIPTION:</b> The number of laws, regulations or policies amended, drafted or reviewed by private sector interests and presented to Parliament	1998	10	
<b>COMMENTS:</b> In FY 1997, USAID supported associations, ISOs and other private sector institutions, influenced an impressive and steady stream of legislation, the most important of which was: Foreign Investment Act; Amendments to the Privatization Law; SME Strategy; SME Law, the Securities, Stock Exchanges and Investment Companies Act; Concessions Law, Energy Law; the Pension Law; the Bankruptcy Law and the Banking Act.	1999	12	
	2000	18	
	2001	20	
	2002	25	

### 3. Performance Data Tables (continued)

<b>Strategic Objective 1.3:</b> Accelerated development and growth of private enterprises in a competitive environment			
<b>APPROVED:</b> 05/96 <b>COUNTRY/ORGANIZATION:</b> USAID / Bulgaria			
<b>RESULT NAME:</b> IR 1.3.2 Private Sector Business Support Associations & Institutions Strengthened			
<b>INDICATOR:</b> Increase in fee-paying members of assisted Associations/ISOs			
<b>UNIT OF MEASURE:</b> Annual Percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> FLAG activity reports; Business Associations reports	1997	10%	20%
<b>INDICATOR DESCRIPTION:</b> Measure of the increase in breadth of representation	1998	15%	
	1999	15%	
<b>COMMENTS:</b> The 1997 target was exceeded due to extremely rapid growth in new business associations membership resulting from economic instability. Membership is expected to increase 15% in each of the next 5 years. Associations seek to increase revenues from membership dues and services provided	2000	15%	
	2001	15%	
	2002	15%	

<b>Strategic Objective 1.3:</b> Accelerated development and growth of private enterprises in a competitive environment			
<b>APPROVED:</b> 05/96 <b>COUNTRY/ORGANIZATION:</b> USAID / Bulgaria			
<b>RESULT NAME:</b> IR 1.3.2.1 Improved Business Performance of Private Sector Association Members			
<b>INDICATOR:</b> Value of Linkages Formed by target companies (Joint Ventures, sales contracts, financing)			
<b>UNIT OF MEASURE:</b> US Dollar value in thousands	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Reports of USAID - Assisted Firms	1997	4,000	6,000
<b>INDICATOR DESCRIPTION:</b> Nominal dollar value of transactions completed by target firms	1998	8,000	
	1999	10,000	
<b>COMMENTS:</b> FLAG related interventions helped increase aggregate exports of assisted firms and the value of financing received by assisted firms through debt, equity or joint ventures. April 29, 1998	2000	12,000	
	2001	TBD	
	2002	TBD	

## **SO 1.4: A More Competitive and Market Responsive Private Financial Sector**

### **1. Performance Analysis**

Strategic Objective 1.4 seeks to create stable, efficient and regulated financial markets institutions which can support broad-based economic growth. Financial sector stability based upon public confidence and trust contributes directly to U.S. foreign policy interests seeking to promote more general economic and political stability at a national level. Initiatives under this Strategic Objective were conceived and launched in the Spring and Summer of 1997 as the newly elected Bulgarian Government worked to restore financial order in an economic system that had approached collapse. The introduction of the Currency Board Arrangement in July 1997 reined in currency and interest rate volatility, and upon this base, USAID built an ambitious program targeting two critical areas: banking sector stabilization and restructuring; and, the institutional, legal and regulatory development and strengthening of the capital market, including efforts targeting the establishment of a private pension program.

Although banking sector activities were on-going for only part of the reporting period, results are already impressive: A key constituent of the financial sector has been stabilized and is now beginning the slow process of rebuilding. To date, USAID has provided bridging assistance to both capital markets and pension-related activities, and long-term contracts are now being tendered, and technical assistance teams will mobilize in the summer of 1998.

### **Activity Specific Results**

**A. Banking:** In response to a financial crisis that witnessed a run on deposits and the collapse of 17 banking institutions, USAID launched a comprehensive and ambitious banking sector program in support of over-arching policy and macro-economic initiatives led by the International Monetary Fund (IMF) and the World Bank. USAID/Bulgaria's bank stabilization and restructuring program is built upon three pillars comprised of privatization, supervision and regulation, and training. Technical assistance under these three elements was mobilized in succession. All are now underway with results having already been realized in privatization, and in supervision and regulation.

All efforts implemented under the banking program support the development of a more competitive and market responsive private financial sector (*SO 1.4*), by establishing a sound, regulated and efficient banking system (*IR 1.4.1*). This is based upon increased private sector financial intermediation as measured by the percent of outstanding credit originated by the private sector (*IR 1.4.1.1*), and by a strong banking sector including more capable Central Bank supervision and regulation, and by better trained commercial bankers (*IR 1.4.1.2*). Results achieved under the Strategic Objective and the Intermediate Results will foster a banking system able to comply with the conditions and demands placed upon it when Bulgaria accedes to the European Union.

Below is a synopsis of the results realized to date under the banking sector program:

#### *Bank Privatization:*

In order to stabilize the banking system and reduce the fiscal burden of state-owned banks, USAID/Bulgaria launched the first pillar of its banking program in July 1997 which

focused on privatizing five of the remaining six state owned commercial banks.<sup>4</sup> Assistance has been delivered through the Bank Consolidation Company (BCC)<sup>5</sup> which is the majority shareholder representing the State's interest in each of the banks. USAID assistance under this element seeks to increase the percent of private bank assets, which at the end of calendar year 1997 reached 32.7%. This is the baseline for performance measurement at the Strategic Objective level (*SO 1.4*), and future targets have been established based upon the past eight months of experience.

Beginning in late April 1997, USAID mobilized a senior advisor who has been based at the BCC and has supported the Chief Executive and Board. Significant gains have been made, and the experience has shaped the current bank privatization strategy. Among the results: with USAID assistance, the BCC conducted negotiations for the sale of two banks, UBB and Expressbank. UBB was successfully privatized in mid-summer 1997 when it was sold to a consortium led by two foreign and one domestic bank. Negotiations on Expressbank unfortunately collapsed at a late stage, when both of the best-and-final bids were rejected.

Subsequently, the Bulgarian Post Bank and Hebros Bank were prepared for sale, and were tendered by a team of USAID-supported banking experts. BCC Chief Executive Peter Jotev and USAID's Senior Banking Advisor attended the IMF's Annual Meeting in August 1997, and presented Post and Hebros for sale to the assembled international bankers. Four bids were tendered for Post Bank, and final negotiations are now underway with a bidder attracted as a result of the IMF roadshow. Disappointingly, Hebros failed to attract investor interest.

USAID assistance has been closely coordinated with the terms and conditions of the financial stabilization programs agreed to by the Government of Bulgaria (GOB) and the IMF and the World Bank. Original privatization targets advanced by the IFIs in the Spring of 1997 were enormously ambitious, and proved unachievable, as borne out by the disappointing setbacks on Expressbank and Hebros Bank. Nevertheless, the experiences were invaluable, and contributed substantively to the development of the new bank privatization strategy developed in the late Fall of 1997 by the IFI's, the EU and USAID. Under this new strategy, USAID will provide ongoing advice and general counsel in the Post Bank negotiation, and in the preparation of Bulbank, Expressbank and Hebros Bank for sale. The EU will support the lion's share of the sales cost which is comprised of individual contracts with investment banks that will prepare, tender and negotiate the terms of the three banks' sales. In addition to general counsel, USAID is supporting in-depth operational reviews of Biochim Bank and Hebros Bank, the first of which will be

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<sup>4</sup>. The five state-owned commercial banks comprising the original target of USAID assistance were: United Bulgarian Bank, Hebros Bank, Bulgaria Post Bank, Express Bank, and Biochim Bank. In late 1997, USAID advisors were asked to assist the Bank Consolidation Company in preparing and tendering Bulbank, the largest of Bulgaria's state-owned commercial banks. USAID has not been involved in the restructuring of the State Savings Bank, which to date has not functioned as a commercial lender, and which has operated under separate and distinct authorizing legislation.

<sup>5</sup>. The Bank Consolidation Company (BCC) was formed in 1991 as a finite lifespan organization designed to reorganize the banking system by restructuring and consolidating the assets of the public sector banks (then more than 90). Through 1996, the BCC realized many of its consolidation objectives, but failed to achieve fundamental reform in the way state-owned banks operate.

placed under an EU-financed management contract, the latter being tendered to a strategic investor as described above.

### *Bank Supervision*

The second pillar of USAID/Bulgaria's banking program was launched in October 1997 when a team of senior advisors commenced work in the Bank Supervision Department of the Bulgarian National Bank (BNB/BSD). USAID-supported advisors provide assistance and training in "On-site" Supervision, and have established strong counterpart relations. The advisors have made considerable progress in developing on-site supervision policies and procedures, and in preparing of the first chapters of an *Examination Procedures Manual*. USAID advisors have accompanied BNB Supervisors in on-site examinations, which provide on-the-job training and are critical to improved bank regulation (*IR 1.4.1*). Under intermediate result 1.4.1.1, the goals of which are to: 1.) promote the institutional development of the BNB/BSD ; 2.) strengthen the BNB/BSD capacity to regulate and monitor the banking system; and, 3.) assist the BNB/BSD in establishing supervisory policies and procedures for problem banks. Over the six months since inception, the on-site supervision program has accomplished the following:

- Drafted an internal bank rating system (CAMEL) which has been reviewed and approved by senior BNB/BSD management, and is now being distributed to all BNB on-site examiners;
- Developed the first three chapters of an *Examination Procedures Manual*;
- Developed a training program for on-site examiners, using the *Examination Procedures Manual* as the text;
- Conducted 5 on-site inspections with BNB examiners. In collaboration with the BCC privatization team, BNB/BSD supervisors are conducting operational reviews of Biochim and Hebros as part of the sale/tender process, but also serving as the basis of the annual BNB/BSD examination of these banks.

### *Commercial Banker Training*

Banker training is the third pillar of the USAID/Bulgaria banking sector program, which broadly seeks to strengthen private and commercial sector banks' operations and practices (*IR 1.4.1.2*). Stronger private sector banks will be manifest in increased volume of credit extended to private sector borrowers (*IR 1.4.1.1*) and improved quality of loans outstanding in the system as a whole (*IR 1.4.1*). This program was launched in the winter of 1998, and as such, there are not yet any measurable results.

Commercial banker training will be delivered in conjunction with, and through, the International Banking Institute/Association of Commercial Bankers (IBI/ACB). By affiliating with the pre-eminent professional organization representing Bulgarian bankers, USAID seeks to strengthen a critical intermediate support organization, and thereby create a sustainable mechanism by which to deliver on-going training and assistance. As such, this program supports *IR 1.3.2* which seeks to strengthen private sector business support associations, in addition to *IR 1.4.1* and *IR 1.4.1.2*.

**B. Capital Markets:** In early 1997 USAID suspended its capital markets activities as a result of government actions with regard to market institutions which ran counter to the spirit and intent of U.S. assistance. At that time, the Government moved to increase its shareholding in key market institutions, notably the Bulgaria Stock Exchange (BSE) and the Central Depository (CDAD), essentially nationalizing them. This was inconsistent with USAID-supported principles of market development.

Over the following eight months, however, the SSEC was strengthened, the commercial ownership of the BSE and CDAD were affirmed, and a more comprehensive and cogent capital markets development plan began taking shape. In addition, USAID successfully negotiated a Memorandum of Understanding which was signed by the Minister of Finance, and which lays out some of the broad parameters for market development and the role which USAID may play.

Based upon these changes, USAID has conceived an integrated program which is responsive, and which underscores the USAID/Bulgaria strategy. USAID's future capital markets activities will contribute principally to the achievement of results under Strategic Objective 1.4 and Intermediate Result 1.4.2. These activities are discussed below under Section 2; Expected Progress and Management Actions.

**C. Private Pension System:** As a result of governmental efforts to shore up national social benefits programs, it has proposed to create a private pension system. Long-term USAID assistance has been requested, and will be provided: A framework scope of work for long-term assistance has been developed and is being tendered. To date, several short-term bridging activities have been supported. These preliminary activities delivered technical assistance in policy formulation, and legal drafting specifically related to the Law on Supplementary Voluntary Pension Insurance. Both short and long-term assistance contribute to Strategic Objective 1.4, and to the intermediate results thereunder.

## **2. Expected Progress Through FY 00 & Management Actions**

Through fiscal year-end 2000 USAID has set ambitious targets in banking sector stabilization and restructuring; strengthening capital markets institutions; and in establishing a voluntary private pension system. These efforts will contribute directly to Strategic Objective 1.4, and in some cases to other strategic objectives and intermediate results, notably those under *SO 1.3* relating to the accelerated development and growth of private enterprises in a competitive environment. In all cases, banking, capital markets and pension-related activities will contribute to the realization of intermediate results which support a broader financial sector mandate and which lead to Bulgaria's accession to the European Union.

### **A. Banking**

#### *Bank Privatization*

The BCC, with USAID support made substantial headway in FY 97 in restructuring and preparing the remaining State-owned banks for sale. Although USAID's original mandate included only five of the six state banks, a sixth, Bulbank, was added late in the year. As discussed in Section 1.A above, USAID is working closely with the BCC and the international financial institutions to implement a new privatization strategy which is heavily dependent upon EU Phare financial support. According to this new strategy which

draws upon prior experience, USAID expects that 85% of total state-owned banking assets will be privatized by fiscal year-end 2000, with the remaining 15% representing assets held by the State Savings Bank.

Over the short-term, Bulbank, Expressbank and Hebros Bank will be prepared for sale in 1998, with the transactions expected to close in the first half of 1999. As experience demonstrates, transactions can be delayed for reasons related to the buyer or seller, and therefore, USAID/Bulgaria is cautious in advancing an unachievable timeframe. In addition to the above transactions, USAID will complete the operational review of Biochim Bank in the third quarter of FY 98, upon which the bank will presumably be placed under an EU-Phare supported management contract.

Based upon the above privatization strategy, USAID expects that by FY 2000 the banking system will have been substantively restructured and privatized. In the event that any one or more of the banks remains unsold, they will be stable and will not pose a systemic risk threatening Bulgarian banking, the Currency Board Arrangement, or the ability of the country to accede to the European Union. Financial support for bank privatization will end in FY 1999, with technical support concluding around mid-2000.

#### *Bank Supervision Strengthened*

Effective bank supervision and regulation is fundamental to USAID's banking sector strategy which focuses upon establishing a sound, regulated and efficient banking system (IR 1.4.1) comprised of strong institutions (IR 1.4.1.1). Although USAID has made substantial progress under the on-site supervision program which was launched in the fall of 1997, regional experience dictates that strengthening a central bank's regulatory foundation and training a cadre of on-site examiners requires substantial time. As such, USAID/Bulgaria expects funding for On-site Banking Supervision to be sustained through FY 2000.

In addition, USAID should anticipate that additional resources may be required in the event that USAID's role in bank supervision expands. USAID's current program is limited to on-site supervision, with off-site supervision to be provided by the EU, and Senior-level policy support provided by the IMF. IMF and USAID advisors were mobilized on schedule, though future IMF support for the Senior Advisor is uncertain. To date, the EU has not provided a team of off-site advisors. If so requested USAID may fill this need in order to train off-site examiners and also increase the impact of USAID's ongoing support for on-site supervision.

#### *Commercial Banker Training*

There are many sources of Bulgaria's banking crisis, and among these is the absence of a banking workforce which is well-trained in operations, lending, collections, and management. As such, the third pillar of USAID/Bulgaria's banking strategy relates to commercial banker training, and the institutionalization of a training program within a host country association or intermediate support organization. To this extent, USAID is working with the recently-merged International Banking Institute (IBI) and the Association of Commercial Banks (ACB). This combination of functions and interests in the IBI/ACB provides a promising strategic partner in creating a sustainable banker training institution (IR 1.4.1.2).



USAID/Bulgaria's commercial banker training program will be implemented by FLAG/UD which can cost effectively produce the intended results. FLAG/UD and the IBI/ACB have signed a Memorandum of Understanding outlining the parameters for the joint program which includes training and also support for the institutional development of IBI/ACB. Because of the importance of commercial banker training to Bulgaria's banking system, support for this activity should be maintained through FY 2000.

## **B. Capital Markets Institutions Strengthened**

In response to changes which have occurred over the past eight months, USAID has conceived a program which is substantially more broad in terms of the institutions which will be assisted, but more focussed in terms of the range of activities that will be supported. All future USAID capital markets activities will seek principally to strengthen the legal, regulatory and institutional foundations of Bulgaria's share market in order to create a broad and liquid source of equity finance (*SO 1.4; IR 1.4.2*). The new strategy and program approach contrast sharply with prior USAID initiatives which focussed on operations and systems within a limited number of market participants.

USAID's future activities will consist of substantial technical assistance to the Securities and Stock Exchanges Commission (SSEC), and to the strengthening of the principal markets institutions engaged in securities trading, clearance and settlement and registry. Both activities will contribute directly to the creation of a more competitive and market responsive private financial sector (*SO 1.4*). SSEC efforts will include strengthening the Securities Stock Exchanges and Investment Companies Act (SSEICA) and the regulations governing security market activity. USAID advisors will train SSEC staff in licensing and permitting, disclosure, and enforcement and detection in key areas of fraud, market manipulation and insider-trading, which is the essence of *IR 1.4.2*. Advisors will work with the SSEC to assure a stable and transparent marketplace by developing and administering broker/dealer licensing examination, which contributes directly to *IR 1.4.2.2*.

Under the SSEC activity, and in conjunction with other market institutions supported by complementary USAID activities, the advisors will strengthen the SSEC's to evaluate and approve prospectuses in order that companies may offer shares publicly for listing on a registered exchange.

Under a separate but closely related activity, USAID will provide support to key market institutions, including assistance to registered exchanges, which has never before been within the purview of USAID's assistance program. Support under this element will focus on the market institutions which are central to securities trading, and also on the market participants which may function as a self-regulatory organization (SRO). An SRO may be comprised of investment intermediaries, investment companies, or other market participants which will be responsible, in whole or in part, for bringing initial public offerings to market and assuring a supply of tradeable securities. Together, these two activities will lead to a development of a liquid, efficient and regulated market which meets EU standards and attracts domestic foreign portfolio investment. Advisors will work directly in support of *SO 1.4* which seeks to increase the market capitalization of listed securities relative to GDP, and *IR 1.4.2* which targets liquidity as measured by turnover relative to aggregate market capitalization of listed securities.

### *Broker/Dealer Training*

USAID will work to strengthen the Association of Licensed Investment Intermediaries and

the brokers and dealers comprising its membership. By so doing, an institutional capacity will be developed which will bring integrity and greater transparency to Bulgaria's fledgling capital market. This activity is being coordinated under the auspices of the FLAG consortium.

### **C. Private Voluntary Pension System Established**

In order to reform Bulgaria's current pay-as-you-go public pension system, the government has committed to developing a sound and regulated private pension system. This is the essence of USAID/Bulgaria's *IR 1.4.3* which seeks to put in place a private pension regulator, license private pension fund companies, and attract voluntary contributions. The Government's objective is two-fold in securing retirement benefits for Bulgaria's pensioners, and in reducing the fiscal burden of maintaining a public sector defined benefit program. However, a corollary objective of private pension fund development relates to the function such a pool of financial assets and such institutional investors can play in promoting a liquid securities market (*IR 1.4.2*) with broad institutional and public ownership (*IR 1.4.2.2*).

USAID assistance will broadly seek to privatize Bulgaria's existing public pension system by supporting the institutional, legal and regulatory underpinnings of a private system. The principal thrust of the private pension activity will be in the drafting and ratifying the enabling legislation creating an independent regulator authorized to license private pension fund companies. Technical assistance supporting these functions must be maintained into FY 2000. To the extent that the government seeks additional assistance in creating a mandatory private pension component (Pillar II), or in reforming the pay-as-you-go mandatory public system (Pillar I), then USAID would need to consider providing additional resources in FY 2000, and conceivably beyond.

### **D. Cross-cutting Initiatives in Public Awareness and Education**

In order to create a more competitive and market responsive private financial sector, building public trust and confidence are essential. Because public awareness and educations are critical to all of the on-going and proposed *SO 1.4* activities, communications functions related to banking, capital markets, and pensions will be consolidated, and managed by a single contractor. This will necessarily coordinate closely with all other USAID contractors, and whose principal counterpart will be the Government Information Service (GIS).<sup>6</sup> The success of this effort in generating public confidence and trust in the financial sector will be measured directly under *IR 1.4.1.1* as a function of increased household deposits in the banking system, and under *IR 1.4.3* in conjunction with the value of private pension assets under management. A proxy for public confidence in the capital market will be turnover as measured in nominal value (*IR 1.4.2*) or in share volume (*IR 1.4.2.1*). Because education and awareness are fundamental to financial sector stability and liquidity, USAID support for this activity is proposed through FY 2000.

### **E. Management Actions: Staff**

Strategic Objective 1.4 was newly-created in early 1997, but rapidly expanded and now

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<sup>6</sup>. The Government Information Service (GIS) is established under the Prime Minister's Office and is uniquely responsible for coordinating all government communications, notably those related to financial sector reforms including banking, capital markets, and pension reform.

comprises key activities fundamental to the realization of private sector objectives. With the addition of these new and complex activities, and with the complexity of implementation of a new portfolio as close-out approaches; augmented by new COTR responsibilities delegated to the field, one additional Senior FSN advisor was added to the Economic Restructuring and Growth *SO 1.4* team in FY98.

### 3. Performance Data Tables (page 1 of 2)

<b>Strategic Objective 1.4:</b> A More Competitive and Market Responsive Private Financial Sector <b>APPROVED:</b> 5/97 <b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria			
<b>RESULT NAME:</b> SO 1.4 A More Competitive and Market Responsive Private Financial Sector			
<b>INDICATOR:</b> Private Bank Assets as a Percent of Total Bank Assets			
<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Bulgarian National Bank/Banking Supervision Department	1997 (B)		32.7%
<b>INDICATOR DESCRIPTION:</b> Private Bank Assets as a Percent of Total Bank Assets	1998	40%	
<b>COMMENTS:</b> Both domestic and foreign (branches and subs) private assets are included;	1999	50 %	
	2000	85 %	

<b>Strategic Objective 1.4:</b> A More Competitive and Market Responsive Private Financial Sector <b>APPROVED:</b> 5/97 <b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria			
<b>RESULT NAME:</b> IR 1.4.1 A Sound, Regulated and Efficient Banking System Established			
<b>INDICATOR:</b> Non-performing Loans as Percent of Total Bank Loans (more than 60 days past due)			
<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Bulgarian National Bank/Banking Supervision Department	1997 (B)		22%-
<b>INDICATOR DESCRIPTION:</b> Gross book value of non-performing loans (more than 60 days past due) to total bank loans	1998	20 %	
<b>COMMENTS:</b>	1999	15 %	
	2000	15 %	

### 3. Performance Data Tables (continued)

<b>Strategic Objective 1.4:</b> A More Competitive and Market Responsive Private Financial Sector <b>APPROVED:</b> 5/97 <b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria			
<b>RESULT NAME:</b> IR 1.4.2 A Regulated, Transparent, Liquid Securities Market Developed			
<b>INDICATOR:</b> Turnover as Percent of Market Capitalization			
<b>UNIT OF MEASURE:</b> percent	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Bulgarian Stock Exchange (BSE)	1997 (B)		0.5
<b>INDICATOR DESCRIPTION:</b> Average weekly turnover on licensed exchanges	1998	tbd	
<b>COMMENTS:</b> Weekly data is shown instead of daily due to extreme market volatility.	1999		
	2000		

<b>Strategic Objective 1.4:</b> A More Competitive and Market Responsive Private Financial Sector <b>APPROVED:</b> 5/97 <b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria			
<b>RESULT NAME:</b> IR 1.4.3 A Sound, Regulated Private Pension System Established			
<b>INDICATOR:</b> Value of Private Pension Assets Under Management by licensed pension companies			
<b>UNIT OF MEASURE:</b> Thousand US dollars	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> CDAD, BSE, BVpF	1997 (B)		0
<b>INDICATOR DESCRIPTION:</b> Aggregate value of pension fund assets under management at calendar year-end by licensed pension fund companies	1998	tbd	
<b>COMMENTS:</b> Private pension funds have not been established yet.	1999		
	2000		

## **SO 2.1: Increased, better-informed Citizens' Participation in Public Policy Decision-Making**

### **1. Performance Analysis**

This SO directly contributes to U.S. Democracy Mission Goal, which emphasizes strong civil society enhanced by viable non-governmental organizations.

The year since the last R4 proved to be a decisive one for citizen participation in public policy decision-making. Previous USAID investments in political process activities resulted in opposition parties better able to channel citizen participation in decision-making through the electoral process. Not only were free and fair Parliamentary elections held since the last Bulgaria R4, but they led to a peaceful turnover of power to a more reform-oriented government. Voter turnout increased from 61% for the Presidential to 70% for the Parliamentary elections (*SO 2.1 indicator*). These results substantially exceed the 1997 target. The methods of participation in early 1997 involved strikes and mass protests against an intransigent government. USAID's current investments in this sector aim at strengthening the kinds of orderly participation that mark sustainable democracies and stable economies.

The core of *SO 2.1* is the development of grassroots organizations, strong and capable enough to represent public interest and actively participate in public policy decision making. A key program that has been contributing to this end is the Democracy Network Program (DNP). Since the previous R4 submission, the DNP increased the number of grantees from 18 to 110, a six-fold increase. Two grant rounds took place, as did a mid-term evaluation and strategy review. The successful implementation of a new, more focused strategy (centered on creating a "critical mass" of 80 –100 capable NGOs) led to the agreement of USAID/Sofia's to the implementor's request for a no-cost extension earlier this year. The DNP has recently started to provide more focused trainings, a technical assistance program, and better monitoring and evaluation capabilities through increasing their staff last summer.

The results of these improvements are apparent from the NGO-related *SO 2.1 results indicators*. For example, the baseline number of "active NGOs working on public policy issues" (*SO 2.1 indicator*) at the start of the DNP was determined to be 20. The target number for 1997 of such organizations was 50, and the actual number of NGOs that fit this category (based on DNP records and database) is 75. This indicator shows the rapid increase of policy oriented NGOs, exceeding our expectations. We have refined it further to better measure citizens' demand for civil society activities and information.

This program also contributed to the realization of another *Intermediate Result (2.1.2a)*, "Number of NGOs demonstrating increased use of public outreach mechanisms"). Training programs in areas such as Lobbying and Advocacy, Working with media and Volunteers, and NGO Marketing have helped NGOs reach this objective. While 45 cases of increased use of public outreach mechanisms was the target, the actual achievement was reported as 75 verifiable cases. As a further refinement, this indicator will be replaced by new indicators using the NGO sustainability index and through measuring the number of media citations demonstrating NGO policy impact.

DNP grantees, through Partnership Projects with local governments, media, and the Central Government, have shown an increasing effectiveness in building coalitions and solving shared problems. Over 50 official partnerships resulted from the most recent grant round of the DNP. Wherever such a partnership exists, there is on file a signed letter of commitment from the partnering institutions about their contribution and role in the project). This number of verifiable partnerships is more than two and a half times the originally set target number for this new *Intermediate Result (IR 2.1.2 "Projects involving Consensus Building Partnerships)*. The definition of this indicator has been strengthened through using rapid appraisals, supplementing analysis of sub-grantee reports, to measure percentage of NGOs developing partnerships which evidence sustained interaction.

Some needed changes were implemented by the Democracy Network Program after an independent mid-term evaluation and separate audit were conducted in Spring 1997. The management weaknesses on the part of the grantee hindered earlier efforts to strengthen results measurement, and given the late start as a result of the evaluation and audit, conclusions from the current results data are limited. Weaknesses in providing the needed assistance to sub-grantees limited their ability to achieve desired results as well. However, the positive turnaround in political will presents an opportunity for USAID to implement assistance through the second phase of the Democracy Network Program which can focus on strengthening ISOs capable of strengthening and representing the civil society sector.

Grassroots organizations continue to be constrained by a negative legal and policy framework in building their capacity and developing the public's awareness, trust and involvement in their activities. Bulgarian civil society representatives convey that marginal progress has been achieved over the past year in developing public support for NGOs, and this has further hindered advocacy efforts with Parliament. After three years, the draft NGO law (*IR 2.1.1 indicator*) being advocated by Bulgarian NGO's was just included in the parliamentary legislative program for 1998, principally due to consultation on the part of Parliament with the EU. However, the draft legislation is seriously flawed. A Presidential Advisor on NGOs has been appointed, and NGO liaison offices have been established at the Ministries of Social Development and Foreign Affairs. A new law on social services is being prepared which will allow for NGOs to become licensed, and deliver social services on behalf of the State, using national budget allocations.

There have been a number of policy changes successfully advocated by Bulgarian NGO's. For example, a new recycling program in the Gorublyane district of Sofia was inaugurated in early 1998 in response to television programs carried out by the Time Foundation. A new Forest Law was passed, and 20% of the articles in it reflected changes passed on public opinion channeled through the parliament by the Green Balkan Project. Some local governments in Bulgaria have changed their practices due to NGO advocacy, opening decision-making and deliberations to input from NGO's and directly from citizens.

There has been some progress towards achieving strong, independent broadcast media (*IR 2.1.4*). A draft broadcast media law (*IR 2.1.4 indicator*), developed by several Bulgarian NGO's, has been introduced into Parliament, thus meeting the 1997 target. Intense advocacy is being carried out to ensure that the law is helpful to independent media and in line with European standards; for example, establishing a fair and transparent legal procedure for granting licenses/concessions for radio and television stations. It is likely

that the law will be passed by the Parliament before the end of this summer.

The Professional Media program has regained momentum lost during the upheaval in 1996/97. The Association of Private Broadcasters (ABBRO) has been revitalized and now has 48 members (*IR 2.1.4.d indicator*). Promedia is working with other journalism and broadcasting associations to promote the adoption of the Code of Ethics (*IR 2.1.4.a indicator*). The Code has been drafted and adopted by a number of outlets, such as Bulgarian State Television which allow us to conclude that the target has been met. If the new media legislation passes as forecast, the impact on the sector will be enormous. Currently, there are two private TV stations in Sofia and seven in all of Bulgaria. The industry needs investment, but that will not occur without secure licenses. Another provision of the law would lead to privatization of one state-owned channel. The remainder of state TV and radio would become more like the Public Broadcasting Corporation, with autonomous editorial control. Current actions by the GOB to regulate the broadcast media under the old media law have been disastrous, and the new media law will at least halt such actions until new regulatory mechanisms are in place.

No data has been collected for *IR 2.1.2* ("Advocacy Coalitions for Participation Increased") and *IR 2.1.3* ("Information Sharing among Local and National Entities Increased") since both indicators were modified.

The performance of this SO was mixed. The targets for some IRs have been exceeded, however most of them were low level results. In addition, the RF and the indicators associated with the IRs and the SO itself do not adequately capture impact of U.S. assistance at the sectoral level. Nevertheless, some positive developments have been witnessed during the past 12 months in the area of lobbying and advocacy, partnerships and media legislation. Given the qualifications on its recent progress in implementing changes, this strategic objective has met its performance targets.

A new Strategic Plan for Bulgaria was approved in February of 1998. The results framework has been further modified in March, 1998 upon the advice of the ISTI team to make the causal linkage and intermediate results clearer, and to ensure that impact at the sectoral, rather than activity level, is measured. The new framework provides a better balance between the NGO and media intermediate results, and strengthens logical consistency across the board. Modifications to the prior indicators addressed weaknesses in measuring: 1) the impact of NGO and broadcast media activities on citizen awareness of public affairs and citizens' demand for civil society activities and information, and 2) sector-wide impact necessary to achieve desired SO-level results.

The SO level indicators and other indicators will now be measured through surveys and rapid appraisals rather than through grantee self-reporting. This is important because the indicators in the performance data table rely heavily on the reports of the implementor, which are in turn based on grant proposals, which are not necessarily implemented as projected. USAID/Bulgaria needs to have access to independent, verifiable data about the progress of the NGO sector and the accomplishments of USAID-supported organizations. The use of the ENI NGO sustainability index for *IR 2.1.1* will provide USAID with a more effective approach for measuring progress.

## **2. Expected Progress Through FY 2000 and Management Action**



The current Democracy Network Program is due to expire during the Fall of 1998. Corrective measures were carried out by the DNP office in addressing the results and recommendations of the Spring 1997 evaluation and audit.

Late in FY98, Phase II of the Democracy Network Program will begin. Under this phase, as outlined in the new strategy, the emphasis will be on sustainable Intermediate Support Organizations (ISOs) that provide training, specialized technical assistance and coordination to civil society organizations in Bulgaria. To address the citizens' awareness of public affairs and propensity to participate in civil society activities, better targeting resources on strengthening NGOs in these areas will be measured by the new SO-level indicators. Phase II will focus on implementing USAID/Sofia's five-year strategy by developing ISOs capable of sustained capacity building services to civil society organizations and through the ISOs, broadly-based improvements in civil society organization operations and effectiveness (*new IR 2.1.1 indicators*). The ISOs strengthened through Phase II will be able to solicit donor support and maintain needed assistance to the sector after the completion of USAID assistance (*IR 2.1.1.3 and IR 2.1.1.4*).

USAID/Bulgaria is in the process of identifying the US organization or consortium that will implement Phase II. As long as the current government remains open to input from NGO's, it is likely that they will have a higher and higher profile in Bulgarian society and policy-making.

With regard to the media (*IR 2.1.2*), FY 1999 and 2000 will likely constitute an informal "phase II" in which the new legislative framework is in place and media intermediate support institutions will need help in ensuring that the framework is correctly implemented by the GOB. It is likely that new licenses will be awarded for television channels and radio frequencies, and new outlets will then start broadcasting. State TV and radio will be restructured and privatized, affecting the market for all broadcasting. There will also be new regulations regarding the government's right to free air time in cases where its policies have been criticized. There is likely to be further restructuring of the private press, which needs to be monitored informally in terms of its impact on freedom of speech, centralization of the media and quantity of indigenously-produced news and investigative reporting.

To assist the GOB in its campaign to combat corruption, a special Civil Society Organization (CSO) program is planned to build public awareness about the impact of corruption on the economic well-being of individuals and the need to focus public disapproval on corruption. An incipient public appreciation must be expanded and deepened to the point where society pushes government to move forward with its reform agenda and monitors implementation of that agenda. The program will seek to (a) build corruption awareness throughout society, (b) transform that awareness into an advocacy role (*IR 2.1.1.2*) in which society keeps the issue at the forefront and presses government to implement reforms to decrease corruption, and (c) relies on periodic reviews by panels of internationally-recognized experts (or similar oversight arrangements) to assess Bulgaria's progress on corruption.

By FY 1999, modest, complementary democracy initiatives will strengthen the Parliament's ability to engage in public dialogue and enhance the institutional capacity of

the Parliament. USAID assistance will focus on a quick impact program to improve legislative staff support by enabling up to 20 university students (about 50% of those to be law majors) per year to gain practical experience in legal research, writing, legislative drafting and policy analysis. The students will work part-time as legislative assistants in the National Assembly, producing comprehensive research on existing laws and other information relevant to pending legislation. This activity contributes to *SO 2.1* since the legislative assistants are expected to solicit and incorporate information and views of NGO's in the legislative studies that they prepare. Another activity in FY 1999 will involve support to the National Democratic Institute's (NDI) Constituent Liaison Program. NDI's program will complement the intern program by strengthening the constituency outreach skills of parliamentarians. EU PHARE plans a major initiative to strengthen Parliament.

The current environment provided by reform-oriented government provides a critical basis for strengthening support to these key underpinnings of a strong democracy. The second phase of assistance incorporates the lessons learned and will focus on building the capacity of indigenous ISOs. Through FY 2000, the DNP will need to identify and strengthen ISOs to deliver training, targeted technical assistance, and sub-grants. The anti-corruption and parliamentary assistance programs take advantage of the political will to work with civil society, and thereby, strengthen the top-down simultaneously with the bottom-up process.

The setting of targets for the indicators under this SO requires, a priori, the establishment of baselines. A thorough baseline data analysis will be contracted by USAID/Sofia this summer. Given the increasing responsibilities (e.g., COTR) and complexities of the program, including the recommendations coming out of the evaluation and audit, USAID/Bulgaria is increasing its staff, working in the area of democracy and governance, by one USPSC and one FSNPSC, and targeting training to its staff. One CCN will continue to be the Team Leader for *SO 2.1*, but given the extensive field activities under this SO, more time will have to be allowed for site visits in order to carry out COTR responsibilities.

### 3. Performance Data Tables (page 1 of 3)

<b>Strategic Objective 2.1:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making			
<b>APPROVED:</b> 3/96		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making			
<b>INDICATOR:</b> Voter turnout			
<b>UNIT OF MEASURE:</b> Percentage	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)		55
	1997	60	70
	1998	60	
	1999	60	
	2000	60	
<b>SOURCE:</b> Monitoring agencies; Bulgarian Association for Fair Elections and Civic rights Monitoring of Elections' Report			
<b>INDICATOR DESCRIPTION:</b> Percent of eligible voters voting in presidential and national assembly elections			
<b>COMMENTS:</b> This indicator will no longer be monitored since the USAID program in Bulgaria no longer focuses on political processes.			

<b>Strategic Objective 2.1:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making			
<b>APPROVED:</b> 3/96		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making			
<b>INDICATOR:</b> NGO'S actively working on public policy issues			
<b>UNIT OF MEASURE:</b> number - cumulative  <b>SOURCE:</b> Democracy Network Quarterly Report  <b>INDICATOR DESCRIPTION:</b> Number of NGOs actively pursuing public policy issues and trying to affect decisions - does not include cultural/arts groups, religious groups pursuing religious issues, youth groups. Active still needs to be defined.  <b>COMMENTS:</b> *FY 1996 data is available only for the NGO target group (18 Democracy Network-funded NGOs). Baseline data collection for the broad Bulgarian NGO sector has not been completed. NGO target group is now 110. This indicator will not be measured after 1998 due to change in USAID strategy for Bulgaria.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1994(B)		20
	1997	50	75
	1998	60	
	1999	70	
	2000	80	

### 3. Performance Data Tables (continued)

<b>Strategic Objective 2.1:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making			
<b>APPROVED:</b> 3/96		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> IR 2.1.1 Enabling Legal/Regulatory Environment Framework for Grassroots Organizations in Place			
<b>INDICATOR:</b> Law providing regulatory framework adopted			
<b>UNIT OF MEASURE:</b> yes/no <hr/> <b>SOURCE:</b> National Assembly <hr/> <b>INDICATOR DESCRIPTION:</b> New NGO law is adopted by the national assembly <hr/> <b>COMMENT:</b> Under the new strategy, this IR and all other IR's relating to the legal framework for NGO's will be captured by the NGO sustainability index rating.	YEAR	PLANNED	ACTUAL
	1994(B)		1st draft
	1997	no	no
	1998	yes	
	1999		
	2000		

<b>Strategic Objective 2.1:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making			
<b>APPROVED:</b> 3/96		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> IR 2.1.2a Grassroots Organizations Developed			
<b>INDICATOR:</b> Number of Targeted NGOs Demonstrating Increased Use of Public Outreach Mechanisms			
<b>UNIT OF MEASURE:</b> number - cumulative	YEAR	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Democracy Network Quarterly Report	1994(B)		4
<b>INDICATOR DESCRIPTION:</b> Number of NGOs who showed during the year greater use of public outreach mechanisms (i.e., public meetings, media campaigns, newsletters, policy papers, etc.), and made repeated use of more than one outreach mechanism.	1997	45	75
	1998	60	
	1999	60	
	2000	60	
<b>COMMENTS:</b> *FY 1996 data is available only for the NGO target group (18 Democracy Network-funded NGOs). This indicator will not be measured after 1998 since USAID's strategy has changed as of Nov. 1997.			

### 3. Performance Data Tables (continued)

<b>Strategic Objective 2.1:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making <b>APPROVED:</b> 3/96 <b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria			
<b>RESULT NAME:</b> IR 2.1.4 Pluralism of the broadcast media protected.			
<b>INDICATOR:</b> Broadcast media law is enforced/respected			
<b>UNIT OF MEASURE:</b> Yes/No  <b>SOURCE:</b> Contractor's reports  <b>INDICATOR DESCRIPTION:</b> This indicator is part of the current framework, but has been modified. It now reads "enactment and implementation of electronic media and telecommunications legislation that conforms to international standards."	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996(B)		n/a
	1997	drafted	drafted
	1998	passed	
	1999		
	2000		

<b>Strategic Objective 2.1:</b> Increased, Better-Informed Citizens Participation in Public Policy Decision Making <b>APPROVED:</b> 3/96 <b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria			
<b>RESULT NAME:</b> IR 2.1.4a Improved professionalism of journalists.			
<b>INDICATOR:</b> Professional standards adopted			
<b>UNIT OF MEASURE:</b> Yes/No  <b>SOURCE:</b> Contractor's reports  <b>INDICATOR DESCRIPTION:</b> This indicator is part of the current framework, but has been modified. It now reads "percent of Association membership adopting code of ethics" There is no baseline data. A code has been drafted and adopted by some outlets, such as Bulgarian State Television.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996(B)		n/a
	1997	drafted	drafted
	1998		
	1999		
	2000		

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
				Timing & Frequency	Responsible Party		Schedule	Responsible Party
S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
1) Percent of population who have participated in any NGO activity in public affairs	Definition: "Participation" may include financial or volunteer support, attendance in NGO sponsored public meeting, rally, or signing of NGO sponsored petition. Unit: percentage	Survey of public attitudes.	Proposed Mission-sponsored Civil Society and Local Government Attitudes Survey. (Survey will be developed by extended SO teams for SO 2.1 and 2.3.)	Annual. Design of survey instrument and baseline data collection before July 1, 1998.	USAID	Yes	Annual in R4	SO Team
2) Percent of population who are aware of any NGO's role in a public policy matter	Definition: NGO role defined as sponsorship, support/opposition, or issues awareness campaign. Public awareness obtained from media campaign, media reporting, direct contact by survey respondent. Unit: percentage	Survey of public attitudes	Proposed Mission-sponsored Civil Society Attitudes Survey	Annual. Design of survey instrument and baseline data collection before July 1, 1998.	USAID	Yes	Annual in R4	SO Team
3) Percent of Public who receive a significant proportion of public affairs news from the independent broadcast media	Definition: "Significant" may be defined as either the <i>first</i> source to which respondent turns for public affairs news, or as the source to which respondent listens/watches <i>most of the time</i> . Unit: percentage	Survey of public attitudes	Proposed Mission-sponsored Civil Society Attitudes Survey	Annual. Design of survey instrument and baseline data collection before July 1, 1998.	USAID	Yes	Annual in R4	SO Team
I.R. 2.1.1 Strengthened capacity of non-governmental organizations								
1) NGO Sustainability Index	Definition: Sustainability Index. Five aspects of NGO sustainability include legal environment, organizational capacity, financial viability.	NGO sector sample, DemNet reports, INCL reports, other civil society donors	USAID Direct Hire(s) update Index through rapid appraisal via key informant interviews using structured questionnaire; Interviewees would include DemNet.	Annual.	USAID, ICNL, DemNet partner	Yes	Annual in R4	SO Team

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
I.R. 2.1.1.2 Advocacy coalitions for participation increased								
1) Percent of NGOs developing consensus-building partnerships to solve shared problems	Definition: Partnerships defined as sustained interaction through meetings, correspondence, jointly sponsored activities/events, and all parties made contributions of time, effort, money, materials, space. Disaggregated by partner category - other NGO, media, private sector, government. Unit: Percentage	NGO sector sample, DemNet reports	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	DemNet	Yes	Annual in R4	SO Team

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
I.R. 2.1.1.3 Improved NGO operation and financial viability								
1) Percent of NGOs with dedicated office space, staff, and equipment	Definition: Dedicated office may be established if NGO has dedicated phone line and/or street address distinct from personal line/address of organization principals or employees. Dedicated staff defined by whether or not employees are paid (full-time or part-time). Excludes consultants and volunteers. Unit: Percentage	NGO sector sample, DemNet reports	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	DemNet	Yes	Annual in R4	SO Team
2) Average share of non-USAID income sources in total NGO income	Definition: Non-USAID income includes income from ISOs that receive USG funding. Unit: Percentage	NGO sector sample, DemNet reports	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	DemNet	Yes	Annual in R4	SO Team





USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
1) Broadcast media sustainability index	Definition: Index developed from three quantitative measures: private advertisement to total advertisement market; growth in listener market; and growth of networks of radio stations Unit: Scale	Media surveys conducted by media polling organizations	Survey of leading advertising agencies, polling organization survey of listenership, and survey of ISO membership on development of radio station networks	Annual	ProMedia	Yes	Annual	ProMedia, SO Team
2) Share of Private broadcast air time in total public affairs programming	Definition: Unit: Percentage	Media survey	USAID-sponsored survey of broadcast media outlets. May be implemented through USAID-supported ISOs.	Annual	ProMedia	Yes	Annual	SO Team
I.R. 2.1.2.1 Improved electronic media legal and regulatory framework								
1) Enactment and implementation of electronic media and telecommunications legislation that conform to international standards	Definition: Media law, Telecommunications Law Unit: Number	Government	ProMedia will track pending legislation against international standards	Annual	ProMedia	International standards may need to be obtained from IREX, especially EU standards	Annual	SO Team
2) Implementation of legal and regulatory reform agenda	Definition: Includes FOIA, and Protection of private data law. Unit: Number	Government	ProMedia will track pending legislation	Annual	ProMedia	International standards may need to be obtained from IREX, especially EU standards on FOIA and private data	Annual	SO Team

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
I.R. 2.1.2.2 Improved professionalism of journalists								
1) Percent of Association membership adopting Code of Ethics	Definition: ProMedia-assisted Center for Independent Journal-ism has drafted the Code and open public debate. Unit: Percentage	Center for Independent Journalism	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	ProMedia	Yes	Annual	SO Team
I.R. 2.1.2.3 Improved broadcast outlet management								
1) Percent of broadcast media outlets with annual business plan	Definition: Unit: Percentage	Survey of media outlets	USAID-sponsored survey of broadcast media outlets. May be implemented through USAID-supported ISOs.	Annual	ProMedia	Yes	Annual	SO Team
2) Percent of broadcast media outlets with marketing strategies developed	Definition: Unit: Percentage	Survey of media outlets	USAID-sponsored survey of broadcast media outlets. May be implemented through USAID-supported ISOs.	Annual	ProMedia	Yes	Annual	SO Team
I.R. 2.1.2.4 Increased effectiveness of Media Associations								
1) Association membership	Definition: Paid membership Unit: Number per year	Survey of Media Associations	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	ProMedia	Yes	Annual	SO Team
2) Membership uptake of Association training and TA services	Definition: Unit: Number per year	Survey of Media Associations	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	ProMedia	Yes	Annual	SO Team

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.1 Increased, Better-informed Citizens' Participation in Public Policy Decision-Making								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
3) Financial sustainability of Associations	Definition: Information on sources and significance of income from non-USG sources will be used to determine if organization will be sustainable as USAID close-out approaches. Unit: percentage	Survey of Media Associations	Rapid appraisal via key informant interview using structured questionnaire; contractor reports	Annual	ProMedia	Yes	Annual	SO Team

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**Table I - Performance Data**  
**Baseline, Targets, and Actual Results**

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IR2.1.1.2	Advocacy coalitions for participation increased	Percent of NGOs developing consensus-building partnerships to solve shared problems	Definition: Partnerships defined as sustained interaction through meetings, correspondence, jointly sponsored activities/events, and all parties made contributions of time, effort, money, materials, space. Disaggregated by partner category - other NGO, media, private sector, government. Unit: Percentage	1997	50	70		80		85		90		95		100	
IR 2.1.1.3	Improved NGO operation and financial viability	Percent of NGOs with dedicated office space, staff, and equipment	Definition: Dedicated office may be established if NGO has dedicated phone line and/or street address distinct from personal line/address of organization principals or employees. Dedicated staff defined by whether or not employees are paid on full-time or part-time basis. Excludes consultants and volunteers. Unit: Percentage	1998	TBD												
		Average share of non-USAID income sources in total NGO income	Definition: Non-USAID income may include income from ISOs that receive USG funding. Unit: Percentage														
IR 2.1.1.4	Effective, sustainable intermediate support organizations in place	Number of viable ISOs providing training, TA, and financial assistance to local NGOs	Definition: Viable ISO defined as possessing: dedicated office space, staff and equipment, business plans, annual work plans, and which report increasing numbers of training, TA, and grant activities. Unit: Number	1998	n/a	tbd		tbd		tbd		tbd		tbd		tbd	
		USG-supported organizations share of income generated from non-USG sources	Definition: percentage of the average yearly budget Unit: percentage	1998	TBD	n/a	n/a	10		20		30		40		50	





IR2.1.3.4	Increased Effectiveness of Media Associations Improved	Association membership	Definition: Paid membership Unit: Number per year	1997				3		5		5		5		5	
		Membership uptake of Association training and TA services	Definition: Unit: Number per year														
		Financial sustainability of Associations	Definition: Information on sources and significance of income from non-USG sources will be used to determine if organization will be sustainable as USAID close-out approaches. Unit: percentage														

\*optional: use Definition only when clarification of the performance indicator statement is necessary

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## **SO 2.2 AN improved judicial system that better supports democratic processes and market reforms**

### **1. Performance Analysis**

This is a new strategic objective and USAID/Bulgaria is in the process of designing activities that will achieve *SO 2.2*. Improving the Rule of Law and the ability of the government to fight national crime occupies a significant portion on the Mission's democracy building agenda in the context of US foreign policy national interests. This SO seeks to improve the judicial process so that the judiciary can more effectively reinforce democratic processes and market reforms. The judiciary is slow and inefficient, and does not have the capacity to effectively handle the new types of legal issues and procedures essential to implement the GOB's ambitious legislative agenda, supporting the transition to democracy and a market economy.

USAID/Bulgaria modified the results framework upon the advice of the ISTI team to make the indicators more precise. An intermediate result for improved career benefits for the judiciary, which would relate to the EU PHARE program's initiatives to improve salaries and benefits, has been added since this is key to achieving the SO. *IRs 2.2.2 and 2.2.3* will address separately the assistance to improve the quality of law school graduates and to provide in-service training, but the substance of the *SO 2.2* strategy is unchanged. The indicator for in-service training was changed from number of courses taken to percent of justices that have taken courses. A design team will be in Bulgaria this summer to assess the current state of the judicial system, especially with regard to the skills and education of judges. This team will not only recommend priority activities for USAID support, but will also suggest indicators to measure the ultimate impact of those activities, and will provide baseline data for those indicators if available as a result of the design process.

Although *SO 2.2* is new, ongoing activities under *SO 1.3* are helping to improve judicial procedures on commercial law. These activities include judicial training on laws relating to bankruptcy, concessions, and intellectual property, and educational seminars on alternative dispute resolution. Judicial training on specific commercial laws will continue under *SO 1.3*, closely coordinated with the more comprehensive efforts of *SO 2.2* on professionalization of the judiciary and improved court administration. Additionally, USAID helped establish two Bulgarian institutions (the Legal Initiative for Training and Development and the Center for Human Rights and Citizen Education in the Law) whose ongoing policy advocacy work and training programs will help advance improvements in the judicial system that are the focus of *SO 2.2* and broader improvements in the rule of law.

### **2. Expected progress through FY2000 and Management Action:**

This SO directly contributes to Bulgarian compliance with two priorities identified in the Accession Partnership document. An SO level indicator has been added that demonstrates this linkage. However, USAID/Bulgaria will have to await the negotiation of the NPAA before it can identify the specific accession criteria requirement. When this becomes available, it will be inserted into the PMP and PDT.

Given the direct link between this SO and the EU accession criteria, compliance with the NPAA requirements is the most effective standard for USAID close out planning

considerations in this sector. USAID/Bulgaria is encouraged by the other donors, particularly the World Bank and Open Society Fund, in supporting assistance to this SO. The current environment provides a strong basis for USAID to start this SO, supported by the political will from the Central Government, motivation to meet EU accession criteria, and presence of indigenous NGOs to provide local-level input. USAID's role can be completed after three years since our efforts will enable other donors to provide support. Since it is high on the EU accession criteria, USAID/Bulgaria should be able to reduce its funding to this SO fairly rapidly. For this reason, USAID/Bulgaria will need enough resources to provide a quick start-up to move forward with establishing a Judicial Training Institute and improvement of court administrative procedures.

**Judicial Professional Development:** Together with the Association of Bulgarian Judges and the Ministry of Justice, who have strongly endorsed this initiative, USAID will help establish the curriculum and training activities of a Judicial Training Institute to provide continuing education for judges (*IR 2.2.3 indicator*). The Institute will give priority to: 1) educating judges about their rights and responsibilities, including a code of ethics to upgrade integrity of the system, 2) informing judges about new laws (especially those that contribute to the reform agenda) and related adjudication procedures, and 3) advising judges of new legal developments, e.g. seminars on alternative dispute resolution. Continuing education will serve both to elevate professional standards and provide an incentive for judges to work for extended periods in the system and pursue their own self-improvement (*SO level indicator*).

USAID will also provide assistance to improved curricula and teaching methods at Bulgarian law schools to further enhance the educational preparation of prospective judges (*IR 2.2.2 indicator*). Finally, EU PHARE assistance to civil service reform is considered an intermediate result because it will directly contribute to improved professionalization of the judiciary through higher salary structures and a better-defined career service (*IR 2.2.1 indicator*).

**Court Administration:** USAID will work with the Ministry of Justice and the Association of Judges to identify priority needs and design a program to improve administrative procedures, case and docket handling, and information management (*IR 2.2.4 indicator*). The assessment will examine needs in areas such as administrative training, recording/accessing court proceedings and case information, court filing systems, improving law student court apprenticeship programs, publication/indexing of court opinions, and reformed civil procedure and criminal procedure codes.

During the design of the new program, the results framework for this SO will be refined and baseline data for the indicators will be collected. USAID/Bulgaria has recruited the Team Leader for SO 2.2, and with the assistance of ENI/DG, a contract for the design team is being negotiated. The Team Leader is a new CCN position and is part of the increase in DLG staff to handle the new programs and Contracting Officer Technical Representative responsibilities.

More detail on the expected progress through FY2000 will be provided once the activities supporting this SO are designed and contracted. This process should be completed by early in FY99.

**PART III: PERFORMANCE ASSESSMENT** as of March 27, 1998  
**Table I - Performance Data**  
**Baseline, Targets, and Actual Results**

**S.O. 2.2: AN IMPROVED JUDICIAL SYSTEM THAT BETTER SUPPORTS DEMOCRATIC PROCESSES AND MARKET REFORMS**

RESULT LEVEL (S.O. OR I.R.) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS											
				BASELINE DATA		1998		1999		2000		2001		2002	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 2.2	An Improved Judicial System that Better Supports Democratic Processes and Market Reforms	Percent of Cases Brought to Trial and Completed	Definition: Completed means that a verdict is issued. Cases: criminal and civil Unit: percentage	1997	10	tbd		tbd		tbd		tbd		tbd	
		Average length of tenure of sitting judges	Definition: Court experience Unit: years in court	1997	3	tbd		tbd		tbd		tbd		tbd	
		Compliance with EU Accession targets	Definition: EU requires improved operation of the judiciary and reinforcement of justice institutions through properly trained personnel Unit: Yes/No												
IR2.2.1	Improved career benefits for the judiciary														
IR 2.2.2	Improved preparation of law school students for the judiciary	Percent of law school curriculum that reflects updates to legal code	Definition: Law school courses Unit: percentage	1997		tbd		tbd		tbd		tbd		tbd	
IR2.2.3	Judicial qualifications enhanced through continuing legal education	Percent of judges completing in-service training	Definition: In-service training provided by Judicial Training Institute Unit: percentage	1997		tbd		tbd		tbd		tbd		tbd	
		Number of courses offered by Judicial Training Institute	Definition: Unit: number												
IR2.2.4	Improved Court Administration	Average processing time for cases	Definition: case - criminal or civil Unit: days	1997		tbd		tbd		tbd		tbd		tbd	

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.2 An improved judicial system that better supports democratic processes and market reforms								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
				Timing & Frequency	Responsible Party		Schedule	Responsible Party
S.O. 2.2 An improved judicial system that better supports democratic processes and market reforms								
1) Percent of cases brought to trial and completed	Definition: Completed means that a verdict is issued. Includes criminal and civil cases Unit: percentage	Ministry of Justice	Tabulation of data collected from court records	Annual	Contractor	Yes	Annual	SO Team
2) Average length of tenure of sitting judges	Definition: Court experience measured from time of appointment to bench to present. Unit: years	Ministry of Justice		Annual	Contractor	Yes	Annual	SO Team
3) Compliance with EU Accession targets	Definition: EU requires improved operation of the judiciary and reinforcement of justice institutions through properly trained personnel Unit: Yes/No	Ministry of Justice, EU	Key informant interviews and qualitative assessment of Government of Bulgaria progress	Annual	Contractor	Yes	Annual	SO Team
I.R. 2.2.1 Improved career benefits for the judiciary [EU-PHARE-sponsored reform of administrative structure outside of USAID/Bulgaria's manageable interests]								
Progress to be monitored by USAID/Bulgaria		EU-Phare	Interview	Annual	SO Team	Yes	Annual	SO Team

USAID/BULGARIA PERFORMANCE MONITORING PLAN S.O. 2.2 An improved judicial system that better supports democratic processes and market reforms								
Indicator	Definition	Data Source	Data Collection or Evaluation Method	Data Acquisition		Data available at Mission?	Analysis and Reporting	
I.R. 2.2.2 Law school students better prepared for careers in the judiciary								
1) Percent of law school curriculum that reflects updates to legal code	Definition: Law school courses Unit: percentage	Contractor reports	Key informant survey of law school academic deans	Semi-annual	Contractor	Yes	Annual	SO Team
I.R. 2.2.3 Judicial qualifications enhanced through continuing legal education								
1) Percent of judges completing in-service training	Definition: In service training provided by Judicial Training Institute. Unit: percentage	Judicial Training Institute	Contractor review of JTI registrar data.	Quarterly	Contractor	Yes	Annual	SO Team
2) Number of courses offered by Judicial Training Institute	Definition: Unit: number	Judicial Training Institute	Contractor review of JTI registrar data.	Quarterly	Contractor	Yes	Annual	SO Team
I.R. 2.2.4 Improved court administration								
1) Average processing time for cases	Definition: Civil and criminal cases. Unit: days	Ministry of Justice	Contractor review of court administration records	Annual	Contractor	Yes	Annual	SO Team

## **SO 2.3: Local governments are making responsive choices and acting on them effectively and accountably**

### **1. Performance Analysis**

Progress toward the strategic objective: With the changeover to a more reform-oriented central government last year, local governments now have the opportunity to lobby for and work with the new government on legislative, procedural and fiscal reforms. USAID's assistance in supporting the development of national and regional municipal associations, along with the Foundation for Local Government Reform and other increasingly relevant NGOs, has, for the first time, yielded the channel and forum for an effective, continuing dialog between the central and local governments. That dialog has increased the potential for increased local revenue and improved the climate for positive consideration of the agenda being advocated by the associations that represent local government. This development is critical as the new government strives to push through major legislative reforms that will increase the effectiveness of local government.

The strategic framework that is detailed in the next section was developed through an intensive participatory process between the Local Government Initiative (LGI) and a full range of their partners. An ISTI team reviewed the framework and advised that modification of some indicators were needed since: a) the SO and IR level indicators did not focus on national level impact, b) in some cases, the indicators did not directly measure the targeted results, and c) the indicators for *IRs 2.3.3 and 2.3.4* had to be realigned to correspond to the modified statements of the results. *IR 2.3.3* was changed to sharpen the focus on development of sustainable capacity and *IR 2.3.4* was adjusted to capture USAID's interest in strengthening intermediate support organizations so that they will play a key role in USAID's new integrated regional development strategy. The critical development of an indigenous institutional framework, through which assistance can be directed and eventually sustained to municipalities, is highlighted in the framework. Furthermore, the new IRs better measure the Mission's goals in the context of US national security.

Substantial progress was made toward achievement of this strategic objective over the past year, despite disruption caused by irregular activities of the local subcontractor implementing the Local Government Initiative (LGI) and personnel of one U.S. contractor. An audit led to the dismissal of the LGI Coordinator and other key personnel of one U.S. contractor. The U.S. contractors were instructed by USAID to cease their relationship with the local subcontractor in February 1998, resulting in the dismissal of the local staff supporting all the U.S. contractors' activities in country. These steps were necessary to provide the proper foundation for the future program. At a two-day meeting of all LGI partners in November that focused on building participation to achieve the new Results Framework, the probability of some disruptions, especially in the target municipalities, was explained. Restructuring of the program did indeed cause a number of delays related to getting the U.S. contractors registered, restaffed, housed and equipped. Only recently have systems been put in place that made possible the resumption of full scale program operations.

USAID's focused effort on key municipalities, associations and organizations supportive of local government reform has paid off in significant achievements that are detailed in the next section. Our new strategy reinforces the achievements of our Bulgarian partners by

channeling assistance through these entities as Intermediate Support Organizations (ISOs). USAID's indigenous LGI partners under *SO 2.3* are the clear leaders in building their capacities as ISOs and in developing a strong constituency among municipalities. Given the key role played by our Bulgarian partners in developing an effective working relationship with the new government, this strategic objective has exceeded its performance targets.

**Activity Specific Results:**

Since the previous R4 submission, a new strategic framework was developed with the extensive participation of our local government partners. This was presented in USAID/Sofia's strategy in December, and indicators and targets were refined last month. The old strategic framework (prior to September 1997) was changed to reflect a sharper focus for the SO itself, to make it more results oriented and to recognize the importance of partnership during a transition/graduation period. The results framework included in the strategy was drafted with full participation of a large group representing USAID's direct partners, as well as local government officials and representatives from associations of local governments from throughout Bulgaria. USAID's local government partners (municipal organizations, mayors, municipal staff) are taking ownership of the strategic objective through their involvement as intermediate result team members. There are four areas in the Bulgarian legal and socio-economic environment where substantial progress has been achieved. First, the new reform-oriented government is open to constructive dialog and accepts feedback from municipal associations. The National Association of Municipalities of the Republic of Bulgaria established periodic meetings with the Prime Minister at which issues of concern to local government are presented and views exchanged. Of the Association's list of 19 policy positions on which it sought action, the Government has acted favorably on eleven. (2.3.1a) Second, reform legislation is moving forward in a positive direction. New laws have been passed on local governance, municipal property, local taxes and fees, and municipal budgets. (2.3.2) Third, the establishment of more regional municipal associations during the past year, has been prompted by municipalities taking note of the effective roles being played by such associations in providing a voice for local government. Fourth, the National Association of Municipalities in the Republic of Bulgaria (NAMRB) was established, improving the lobbying capacity of municipalities by providing a national organization which, together with the regional municipal associations as partners, has increased the voice of local government in reform. This has resulted in an increase in the number of policy positions taken on legislative changes from one in 1995 to 51 in 1997. For instance, the National Association offered general and specific recommendations on the proposed local taxes and fees. And finally, the LGI has initiated, in concert with ISOs, a process that joins local government, the burgeoning NGO community, the business sector and news media in learning and applying the tools of community partnership and problem solving. Direct grants from USAID to the Foundation for Local Government Reform (FLGR), the National Association of Municipalities of the Republic of Bulgaria (NAMRB), and five regional municipal associations, were critical to getting these organizations in place, being responsive to their constituents, and developing action plans supporting local government reform. Formed one year ago, the National Association of Municipalities has submitted recommendations on legislation affecting municipal finance and organized an unprecedented session with the Prime Minister in September 1997 to present its agenda (old *IR 2.3.1.a* indicator). Follow-up consultations between the Association and the Finance Ministry to work on the 1998 Government Budget resulted in a greater proportion



of the business tax going to municipalities (10% vs. the traditional 6.5%). The Minister of Finance signed a protocol agreeing to prevent unfunded mandates from being passed on to local governments (old *IR 2.3.1* indicator). Five regional associations of municipalities have made impressive strides towards organizing capacity-building services for local governments, disseminating information, and coordinating regional action on development problems. A recent example is the establishment of a municipal energy efficiency network to promulgate the results of USAID- supported energy efficiency work with regional hospitals.

The non-profit Foundation for Local Government Reform (FLGR), established in 1995 by reform-minded former mayors, is already an important force in advocating local government reform, strengthening a network of associations, and establishing public-private partnerships. The FLGR organized an international conference on citizen's participation which heightened public awareness and understanding of existing and successful citizen participation activities in Bulgaria.

The accomplishments by the FLGR, municipal associations and other NGOs with which we have worked over the past year represent major steps (capacity building, disseminating best practices, policy dialogue with the central government, and stimulation of public participation in local government affairs) toward institutionalizing assistance to local government. These results are exemplary of roles that must be filled by Intermediate Support Organizations in the new framework.

Through a small grants program, the LGI has helped ten target cities put in place numerous reform practices designed to improve service delivery, strengthen governance, and facilitate the local government role in economic development. Examples such as a local economic development agency are now being replicated in other municipalities without USAID assistance. New processes to facilitate citizen participation in local government also are being replicated in other municipalities. In Blagoevgrad, the use of a new digital system has resulted in a three fold reduction in the time required to produce maps required for land transfers, as well as the issuance of a variety of land and building permits. In some cases the time for service delivery to the citizens has been reduced from several weeks to a day or two. Security and reliability of the system has been significantly enhanced in the process. (2.3.2)

Five series of workshops were designed and delivered by training teams which are now in demand by local governments. New contractual arrangements provide municipalities access to training through their regional associations on a cost sharing basis. Toward the end of the year, a diverse group of partners were brought together at a Performance based Needs Assessment Roundtable. The result was a clear agenda, that has been validated, for development of training to meet felt needs over the coming year.

Data on the old SO-level indicators is not complete(see explanation in next section). The change in the SO and Results Framework led to a new indicator using an index of citizen ranking of local governments' responsiveness, effectiveness, and accountability.

No data has been gathered for old *IRs 2.3.2.a and 2.3.2.c*. Both IRs have been combined into a single, but stronger *IR 2.3.2*. The new IR reads: "Local governments are developing the financial tools, resources and practices needed to fulfill their responsibilities and

improve the local economic base."

### **Expected Progress Through FY 2000 and Management Action**

The immediate priority for the Local Government Initiative has been to strengthen the existing partnership and lay the foundation for transition of support for local government reform fully into the hands of Bulgarian ISOs. Internally, this required the building of a strong technical and managerial team to support the transition. Negotiation has been initiated to determine the contract that will support this next phase of the program. The new contract will replace the existing LGI contracts and address RIG's recommendations from their audit. Data collection against the indicators was delayed due to the disruption of the program and to program refocusing that was not reflected in the old indicators. Baseline data against the new framework will be produced this summer, with the exception of *IR 2.3.1* which will involve a broad spectrum of Bulgarian partners in defining the priority reform agenda through a broad consultative process. USAID/Sofia will contract for the collection of baseline data for the new framework.

The next phase of the Local Government Initiative will work towards sustainability of the local government reform effort by placing major emphasis on building up local support capabilities and progressively shifting the lead role in upgrading local government operations to indigenous institutions. As outlined in our strategy, USAID will progressively deliver training, advisory and financial assistance through municipal organizations and NGOs whose mandate includes a focus on support of local government. Through stronger NGOs, competent local governments, and sustainable intermediate organizations USAID/Sofia will continue to build democratic structures and conscience in Bulgaria, thus complying with the US national interest of promoting democracy/democratic values.

This strategic objective will reach an early graduation in FY2001 due to the substantial progress achieved to date with our Bulgarian partners. To provide a smooth transition, USAID will progressively "wholesale" its assistance to municipalities through national/regional associations to build up their service capabilities and achieve a more powerful spread effect. USAID will also provide direct assistance to strengthen the network of associations and other ISOs, with their effectiveness and sustainability elevated to principal intermediate result status in the LGI strategy (*IR 2.3.4* indicators). USAID foresees a three-stage progression in strengthening the service capacity of ISOs: initially, direct capacity-building assistance by U.S. providers, followed by close "partnering" between U.S. providers and indigenous institutions in delivering services to municipalities, leading to indigenous institutions taking over the service role without further involvement of U.S. providers. Municipal staff training will be progressively shifted to a network of Bulgarian training providers supported by a municipal training clearing house that will conduct performance-based needs assessments, facilitate coordination among training centers, and help identify continuing sources of support. Transition grants supporting ISOs will be provided in FY2001 since the self-financing necessary for sustainability will not materialize by 2002, when USAID concludes its assistance under *SO 2.3*. Ultimately, the reformed municipal finance environment and improved local economies will permit municipalities and other organizations involved in local government to fully support these ISOs.

Public-private partnerships of local government, community business groups, the news media and NGOs are expected to form the hub of municipal/regional development efforts, in some cases formalized through their participation in regional planning agencies (*IR 2.3.4* indicator). USAID will reinforce these trends through increased complementarity across Strategic Objectives, allying small-medium enterprise initiatives under *SO 1.3* and NGO strengthening under *SO 2.1* with local government. Some complementarities have already taken form through such activities as partnership grants for NGO projects in LGI target municipalities and local governments' contracting-out municipal services to private firms.

USAID also plans to fortify municipal/regional partnerships by helping municipalities address problems of economic stagnation on a regional basis, incorporating a Department of Labor (DOL) conceived program of integrated community development that has evolved from early DOL labor transition activities under *SO 3.2*. This program is aimed at local/regional economic growth, job creation, and worker retraining, with labor organizations as full participants in planning and development. USAID will support the regional planning process and help finance selected regional projects. The intended result by the close of *SO 2.3* is successful demonstration of this participatory regional development process in one-two regions of Bulgaria that can be replicated by other regional groups of municipalities (*IR 2.3.4* indicator).

The LGI will place special emphasis on working through our partners to build the legal enabling environment necessary for clarification of legal authorities and responsibilities of local government and to make local government authorities increasingly commensurate with responsibilities (*IR 2.3.1* indicator). Fiscal decentralization, predictable and equitable intergovernmental transfers, along with clarification of respective roles in providing public services, are fundamental to the development of accountable and effective local government. The LGI will work with both levels of government, including the relevant Parliamentary commissions, to develop practices that advance local government as an active partner in governance. The LGI, with the Minister of Finance's endorsement, will work with the municipality of Plovdiv to develop a model of fiscal decentralization that can be instructive and applicable to both central and local governments. It is expected that the model will be replicated over the period when the central government is defining tax administration reform and can thereby reinforce plans for increased fiscal decentralization (*IR 2.3.2* indicator).

The LGI will continue to provide municipal grants to promote improved local government operations and services (*IR 2.3.2* indicator), increasingly channelled through municipal associations. Based on recent evaluation, we will expand on the pilot technical twinning program between U.S. and Bulgarian municipalities, matched on the basis of common economic conditions, municipal service problems, etc. Direct grants to ISOs will be used for channeling technical and financial assistance for municipal activities, reinforcing the second stage of the ISO development process. (*IR 2.3.3* indicator). The next phase of the LGI will also give priority to institutionalizing a process for identifying and disseminating best practices. Responsibility for dissemination will be placed with the national and regional associations, supported by the Foundation for Local Government Reform, and formalized in local government training programs (*IR 2.3.4* indicator).

The next phase of the LGI will intensify focus on advancing public awareness, building up

local NGO leadership and advocacy skills, and increasing sensitivity of local government to the need for public dialogue. This will involve introducing local government practices that increase transparency and institutionalize community decision-- making and partnerships to join local government with business, NGOs, and interest groups (SO-level and *IR* 2.3.3 indicators).

Since USAID is the only donor organization carrying out a comprehensive program of local government improvement, providing the necessary resources to complete the three-stage ISO development will be critical to meeting the early graduation target. Activities supporting community economic development and fiscal decentralization will take advantage of the political will at both the central and local level to strengthen local self-government and empower communities to help themselves. Corrective action to the audit has resulted in designing an improved contractual mechanism for the next phase which integrates the technical assistance and training for the program under one contract. This will strengthen coordination and allow USAID to channel assistance broadly through ISOs.

Given the increasing complexity of the local government program, the Democracy and Local Governance (DLG) staff is being increased, including one US PSC who will provide support for the local government and community development programs. A CCN Team Leader for *SO* 2.3 has been recently recruited and will receive training in line with his COTR responsibilities, particularly to handle administration of direct grants to municipal organizations. DLG is being restructured with the staff increase (one US PSC and one CCN) to handle the growth of responsibilities (COTR, field design, grants management, etc.) and to address problematic issues.

### 3. Performance Data Tables (page 1 of 3)

<b>Strategic Objective 2.3:</b> More effective and accountable Local Government			
<b>APPROVED:</b> 5/96		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME: SO 2.3:</b> More effective and accountable Local Government			
<b>INDICATOR:</b> Proportion of Budget over which municipalities have discretionary authority			
<b>UNIT OF MEASURE:</b> Percentage  <b>SOURCE:</b> Official Government and Contractor's Data  <b>INDICATOR DESCRIPTION:</b> Average percentage of municipal budget over which municipalities exercise control among 10 target municipalities  <b>COMMENTS:</b> With the passage of the Law on Local Taxes and Fees in 1997, the types and numbers of local taxes has expanded, thereby increasing the potential for own source revenues. Although comprehensive data from the target municipalities was not available, a small sample of non- target and target cities shows an average increase of 58.6 % in own-source revenues. In addition, legislation clarifying local government expenditure responsibilities was drafted and passage in early 1998 is expected (the Structure of Municipal Budgets law).	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)	0	
	1997	0	n/a
	1998	0	
	1999	15	

<b>Strategic Objective 2.3:</b> More effective and accountable Local Government			
<b>APPROVED:</b> 5/96		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> 2.3.1. Improved legal & regulatory framework supports local self-government			
<b>INDICATOR:</b> Law on municipal finance implemented			
<b>UNIT OF MEASURE:</b> Yes/No  <b>SOURCE:</b> Official Government and Contractor's Data  <b>INDICATOR DESCRIPTION:</b> Law of Municipal Finance adopted  <b>COMMENTS:</b> The National Assembly enacted the a new law on Municipal Taxes and Fees that greatly expands the number and type of taxes and fees local governments can collect. The National Assembly also drafted new legislation on the Structure of Municipal Budgets that encompasses five separate bill related municipal finance and clarifies local government responsibility in revenue mobilization and expenditures. The legislation was enacted in early 1998.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)		
	1997	No	1 Law Passed, 1 Law Drafted
	1998	Yes	
	1999	Yes	

### 3. Performance Data Tables (continued)

<b>Strategic Objective 2.3:</b> More effective and accountable Local Government			
<b>APPROVED:</b> 5/95		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> 2.3.1. Improved legal & regulatory framework supports local self-government			
<b>INDICATOR:</b> Reforms on which regional/national municipal associations have had a positive impact			
<b>UNIT OF MEASURE:</b> Number <hr/> <b>SOURCE:</b> Contractor's Report <hr/> <b>INDICATOR DESCRIPTION:</b> Number of reforms, drawn from the total list of reforms being persuade by municipal associations with lobbying, for which some positive change has come about. <hr/> <b>COMMENTS:</b> wo laws enacted in 1997, the Law on Municipal Taxes and Fees and the Municipal Property Act, were high priorities for the National Municipal Association for which its members lobbied extensively. The National Association successfully lobbied for an increase in the portion of the Business tax allocated to local governments and for a Ministry of Finance protocol to prevent unfunded mandates to local governments.  This indicator will be incorporated into IR 2.3.1 of the new strategic framework.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995(B)		0
	1997	1	2
	1998	2	
	1999	3	

<b>Strategic Objective 2.3: More effective and accountable local government</b>			
<b>APPROVED:</b> 5/95		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> 2.3.1.a Capacity of local government to lobby central government increased			
<b>INDICATOR:</b> Policy positions publicly taken by municipal associations			
<b>UNIT OF MEASURE:</b> Number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Contractor's records			
<b>INDICATOR DESCRIPTION:</b> Policy positions in writing	1995(B)		1
<b>COMMENTS:</b> All municipal associations have standing policy committees that review and/or initiate policy positions on legislation impacting local governments. The national Association and the five regional associations adopted over 50 policy positions. For example, each association adopted policy positions on the five bills dealing with municipal finance and one regional association adopted a comprehensive policy on local government. NAMRB held an official meeting with the Prime Minister. The National Association of Municipalities in the Republic of Bulgaria (NAMRB) assisted in reforming the draft municipal finance law. Subsequent meetings were arranged with the ministry. Experts from the Association took active part in the drafting of the Patent Taxes Law.  This indicator has been modified to indicate the number of policy positions adopted by ISOs.	1997	6	51
	1998		
	1999		
	2000		

### 3. Performance Data Tables (continued)

<b>Strategic Objective 2.3: More effective and accountable local government</b>			
<b>APPROVED:</b> 5/95		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> 2.3.1.a Capacity of local government to lobby central government increased			
<b>INDICATOR:</b> Policy positions publicly for which there has been lobbying			
<b>UNIT OF MEASURE:</b> Delivered to central government	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Contractor's records	1995(B)		1
<b>INDICATOR DESCRIPTION:</b> Policy positions in writing	1997	5	33
<b>COMMENTS:</b> With the creation of the National Association, the level of policy lobbying has sharply increased. The regional associations coordinate policy positions and lobbying activity through the National Association and distribute written position statements to the National Assembly and ministries.  This Indicator will be replaced by 2.3.4 indicator from the new strategic framework and will also be incorporated in IR 2.3.1 which deals with the ratio of the authorities passed to local governments compared to those on priority reform agenda.	1998		
	1999		
	2000		

<b>Strategic Objective 2.3: More effective and accountable local government</b>			
<b>APPROVED:</b>		<b>COUNTRY/ORGANIZATION:</b> USAID/Bulgaria	
<b>RESULT NAME:</b> 2.3.2b. Establish sustainable in-country training capability			
<b>INDICATOR:</b> Training modules are being implemented by Bulgarian institutions			
<b>UNIT OF MEASURE:</b> Number	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Contractor's records			
<b>INDICATOR DESCRIPTION:</b> Public administration modules taught by Bulgarian trainers	1995(B)		0
<b>COMMENTS:</b> A total of 10 four-day workshops for municipal officials (plus 3 training of trainers' workshops) were delivered in 1997. Over 230 officials and municipal staff participated. The four series included: Organization and Management Skills, Human Resources Management, Local Budget and Finance, and Procurement and Contracting. A fifth module on citizen participation was developed and applied to several target audiences. In addition, representatives of municipalities, associations, and NGOs participated in a performance-based training needs assessment to identify training priorities.	1997	4	5
	1998	6	
	1999	10	
	2000	10	
This indicator will be replaced by IR 2.3.4 (2) indicator namely, ratings of ISO training and technical assistance activities by sampled municipalities, which better examines the effectiveness of training delivery.			





[illegible]

[illegible]

## **SO 3.2: Improved Fiscal Sustainability of Social Benefits and Services**

### **1. Performance analysis**

This is a "homestretch" Strategic Objective in accordance with the new Bulgaria Country Strategy. Two activities derived from work started by the SO 3.2 team will receive first funding in FY98 under *SOs 1.3 and 2.3*. A "Quick Start" activity first funded under SO 3.2 in FY97 continues in *SO 1.3* as a New Partnership Initiative depending upon close cooperation between local government and small and medium enterprises. Broadly, the three derivatives emphasize (1) mitigation of unemployment in context of regional and community-level economic initiatives, and (2) mobilization of work force savings and investment through an increased variety of stable financial instruments, especially voluntary private social insurance contributions. It is believed that this approach will increase prospects for long-term sustainability as well as enhance immediate impact. Close coordination between the community-based and capital market programs will be pursued.

EU-PHARE and the World Bank are continuing social sector work with significant financial support. In mid-FY98 the Bank put two major social sector loan programs on its agenda. The \$50 million Social Development Fund will seek to (a) reduce poverty; (b) promote decentralized approaches in public sector operations; and (c) provide short-term employment opportunities to retrenched workers, largely through new regional social development funds. A Social Protection Adjustment loan (\$90 million), will support reforms aimed at (a) strengthening the social safety net; (b) revising and restructuring unemployment benefit and severance pay for laid-off workers; and (c) initiating pension reform.

The *FY97 Summary Performance Rating* for SO 3.2 is, mixed. USAID agreed to help finance a 1996 agreement between the U.S. Department of Labor and the World Bank for USDOL to carry out actuarial and public relations aspects of the Bank/GOB \$30 million loan program for institutional development of the newly-formed National Social Security Institute. The Unemployment Insurance Fund was set up and actuarial activities at NSSI are broadly on target (*IR 3.2.1*). Work to establish an integrated information system at NSSI is on track for inauguration in the year 2000. Delays in pension legislation have adversely affected NSSI's public relations performance targets under *IR 3.2.3a.*; although building the public relations capacity of the NSSI is well underway, much better planning is needed to realize the potential created.

Under *IR 3.2.2*, "Administration of Social Benefits and Services Responsive to Local Variation," a significant program success has been recorded. Several programs launched between 1991 and 1995 sought to create a modern National Employment Service through decentralization and introduction of a customer service mentality. Successful nationwide, they will be concluded in FY98. At the national level, the NES has gained a unique capacity to respond to local needs, report local response back to headquarters and disseminate "lessons learned" through the entire 120-strong local office system. A sophisticated self-assessment system lies at the heart of this capability, reinforced by progressive NES leadership. Currently, project plans are to implement a study tour the first part of May 1998. This tour will provide the new NES leadership and assessment staff the opportunity to see how U.S. programs use assessment data to project future needs, correct emerging problems, and develop new programs. The SO Team believes

that assessment is a major planning tool for management to set new goals, develop future policy and provide good program decision-making.

Basically, *IR 3.2.2a.* covers the Social Welfare to Work program. Since the end of 1997 all NES employment offices are using the SWEP model. In 1997 4,559 customers were included in the program; as a result of the good initial selection for inclusion in the program more than 66% of the customers started work. In 1997 there were savings to municipal social welfare services budgets reported amounting to 26,428,000 leva as a result of finding jobs for clients of the social welfare services. The SWEP program is now concluded, with residual balances slated for reprogramming to the Quick Start activity (see *SO 1.3*).

The final obligation (of \$200,000) from Bulgaria's NOA for the Promotion of Private Health Markets project (180-0038) under *IR 3.2.2b.* was made late in FY96, supporting work through FY97 to enhance efforts of the Bulgarian Ministry of Health to adapt to Bulgarian conditions a major upgrade in an international technique of hospital record keeping based upon diagnostic-related groups (DRG). Real acceleration in the second half of 1997 followed the change of government and a renewal of the GOB's commitment to health sector reform. Eleven regional hospitals introduced better accounting practices as a result of adoption of enhanced DRG coding. A conference on health reform in October 1997 emphasized that DRGs enable the Ministry of Health and hospitals to compare costs in terms of material quantities and time used, an essential building block for sector reform as a fully-subsidized health care system lacks market-based costing. During FY98 ENI regional funding has made possible continued DRG assistance to GOB health professionals, contributing to planning for sector reform. Contacts with the World Bank are underway in order to assist the design of a major health sector loan by the Bank, concluding health sector work in Bulgaria.

The survey(s), opinion poll(s) and/ or focus group interviews called for under *IR 3.2.3* were not carried out during FY97 and are not scheduled. Realization of measurable impact under *IR 3.2.3* obviously is quite dependent upon sustained progress in the national social sector reform, but delays in legislation (and subsequent establishment of associated insurance funds and other institutions) mean that comprehensive sectoral reform has not taken place. This IR also calls for a strongly interactive American Center for International Labor Studies program, which did not develop (see below). The strategic decisions both to close down most aspects of *SO 3.2* and to shift the ACILS activity to *SO 4.1* were interactive. To sum up, when it became clear that conduct of the indicated surveys would be somewhat academic, following re-engineering principles of learning from experience and adjusting accordingly, this IR was narrowed to focus upon the already-noted successful public relations institution building at the NSSI.

Concerning impact under *IR 3.2.3b.*, ACILS trained more than 14,000 persons in the organized labor movement in 1997. Between 60 and 70 seminars were held around Bulgaria, led by trained organizers and subject-matter specialists, and in this manner public education certainly was advanced. Seven labor counseling centers have been established. However, ACILS did not keep a disaggregated information base which would enable identification of SO objectives identifying training focused upon social insurance or health issues, or private pension funds. Elected officials and regional leaders were not separately targeted or recorded for training. In FY97 coordinated education programs

between ACILS and NSSI, NGOs or the Ministry of Labor and Social Affairs (MLSA) were not recorded.

While a new Employment Act was passed, it was flawed as concerns mass layoffs (*IR 3.2.4*). First, the new act (11/97) does not make explicit provision for timely notification of impending mass layoffs and second, it does not allow NES staff to direct money, services and training to workers before they are unemployed/ registered as unemployed. Even when the workers are registered there is very limited money for specific services and no money for training--unless a job is already guaranteed. Nonetheless, the Mass Lay-off Program has been working for over two years and the Demonstration Model shows the effects of being able to work outside the current regulations and provide early intervention. The model has been successfully implemented in Varna and used in Sofia and Russe. The Regional and Local Office staff are able to process, document, and provide on-site orientations and services to workers. Several employers have used this new model to reduce stress at their plants. The mass lay-off reports and programs implemented through USAID's model are a major source of accurate information "out in the field". These data are used by the World Bank and Parliament to better understand what is truly happening with mass lay-offs. In summary, the SO Team's mass layoff program is one of the best in Eastern Europe: It is integrated; has designated, trained staff; and is supported by detailed progressive manuals -- all of which produce results.

Possible assistance by the ACILS-assisted counseling centers for unions negotiating collective contracts incorporating either sustainable welfare benefits or supplementary benefits above national averages was not recorded in FY97 (*IR 3.2.4*).

With assistance from EU-PHARE, the GOB has established Social Partnership Councils in five of Bulgaria's nine regions (*IR 3.2.4*). Each Council has a General Membership Committee and a board. The typical GMC includes membership which fully accords with New Partnership Initiative principles. Social Partnership Councils are likely to play a significant role in the PLEDGE program (*SO 2.3*).

## **2. Expected progress through fy 2000 and management action**

The mass-layoffs and self-assessment programs with the National Employment Service program will conclude on target by December 1998. In the Fall of 1998 the SO Team will provide technical support and follow-up to the May 1998 study tour and 1997 recommendations for how to assess Regional Offices, completing the assessment project. The final phase of the mass-layoffs model, community integration with the trade unions, will be concluded with training to unions on their role in labor management committees and work on community development. This activity will help lay the foundation to integrate work under *SO 3.2* into the new PLEDGE community development program under 2.3.

USDOL's institutional development work with NSSI will continue into FY00, drawing down IAA funding from USAID. There will be no other activity under *SO 3.2* after December 1998. USAID's support to USDOL's NSSI program will be fully funded in FY98. Very little USAID management support will be needed for *SO 3.2* after FY98, and no further SO funding will be required either in FY99 or later.

### 3. Performance data tables (page 1 of 2)

<b>Strategic Objective 3.2: Improved Fiscal Sustainability of Social benefits and Services</b> <b>APPROVED: 10/96</b> <b>COUNTRY/ORGANIZATION: USAID/Bulgaria</b>			
<b>RESULT NAME:</b> SO 3.2 Improved Fiscal Sustainability of Social Benefits and Services			
<b>INDICATOR:</b> Adequate Institutions Established			
<b>UNIT OF MEASURE:</b> Yes/No  <b>SOURCE:</b> National Social Security Institute  <b>INDICATOR DESCRIPTION:</b> Key Funds set up to manage the fiscal sustainability of the different social benefits and services. - Pension Fund and Unemployment fund  <b>COMMENTS:</b> The funds were established as envisaged and are operational.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		no
	1997	yes	yes
	1998		

<b>Strategic Objective 3.2: Improved Fiscal Sustainability of Social benefits and Services</b> <b>APPROVED: 10/96</b> <b>COUNTRY/ORGANIZATION: USAID/Bulgaria</b>			
<b>RESULT NAME:</b> IR 3.2.1 Viable Social Security System Established			
<b>INDICATOR:</b> Actuarial capacity increased - staff trained			
<b>UNIT OF MEASURE:</b> Number  <b>SOURCE:</b> National Social Security Institute, Ministry of Labor and Social Policy  <b>INDICATOR DESCRIPTION:</b> Designated staff with abilities in actuarial methods, demographic and actuarial economics trained  <b>COMMENTS:</b> In addition, a person from another relevant department was trained	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		n/a
	1997	7	8
	1998		

<b>Strategic Objective 3.2: Improved Fiscal Sustainability of Social benefits and Services</b> <b>APPROVED: 10/96</b> <b>COUNTRY/ORGANIZATION: USAID/Bulgaria</b>			
<b>RESULT NAME:</b> IR 3.2.2 Key Management Reforms Introduced at the Local Level			
<b>INDICATOR:</b> Hospitals with improved financial management system, specifically coding system			
<b>UNIT OF MEASURE:</b> Number  <b>SOURCE:</b> National Social Security Institute  <b>INDICATOR DESCRIPTION:</b> Shift from international classification diagnosis to clinical modification procedure coding developed and being replicated in additional hospitals.  <b>COMMENTS:</b> After some stagnation the process accelerated during the second half of the year after the change of the government but already there is some lag recorded.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		2
	1997	15	11
	1998	20	

### 3. Performance Data Tables (continued)

<b>Strategic Objective 3.2: Improved Fiscal Sustainability of Social benefits and Services</b> <b>APPROVED: 10/96</b> <b>COUNTRY/ORGANIZATION: USAID/Bulgaria</b>			
<b>RESULT NAME:</b> IR 3.2.3 Public Education Systematically Implemented by Organized Labor, NSSI and NGOs			
<b>INDICATOR:</b> Labor counseling centers established			
<b>UNIT OF MEASURE:</b> Number <b>SOURCE:</b> National Social Security Institute, ACILS <b>INDICATOR DESCRIPTION:</b> Centers that provide legal and economic services on privatization, free market and other issues, to trade organizations and individuals. <b>COMMENTS:</b> The number of people outreached by ACILS through training seminars and counseling centers exceeded the target.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		2
	1997	4	7
	1998		

<b>Strategic Objective 3.2: Improved Fiscal Sustainability of Social benefits and Services</b> <b>APPROVED: 10/96</b> <b>COUNTRY/ORGANIZATION: USAID/Bulgaria</b>			
<b>RESULT NAME:</b> IR 3.2.4 Organized Labor Supports Sustainable Social Benefits and Services			
<b>INDICATOR:</b> Mass layoffs model in place and nation-wide applied			
<b>UNIT OF MEASURE:</b> Yes/No <b>SOURCE:</b> Ministry of Labor and Social Policy <b>INDICATOR DESCRIPTION:</b> The model is intended to provided early intervention strategies that attempt to prevent job loss while at the same time developing new job opportunities and providing the necessary skills to fill these jobs. <b>COMMENTS:</b> The passed new Employment Act was flawed concerning mass layoffs as it did not provide operational notification and direction of money for training of workers before they get unemployed.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		no
	1997	yes	yes
	1998		

## SO 4.1: Special Initiatives

No Results Framework is prepared for the "special initiatives" classification, but performance indicators are used in the nature conservation activity. No over-all progress assessment is offered as this SO is made up of nine separate and distinct activities.

### PERFORMANCE ANALYSIS, EXPECTED PROGRESS THROUGH FY 2000 AND MANAGEMENT ACTIONS

#### **I. Project 180-0039.12, "Nature Conservation (GEF)"**

This \$4 million activity is carried out as parallel financing with the United Nation's Global Environmental Facility. Although there have been many delays on the part of the GOB in meeting commitments undertaken in the January 1995 project Memorandum of Understanding, the government elected in April 1997 renewed Bulgaria's commitment to biodiversity conservation. A strong policy framework is emerging with approval of the National Biodiversity Conservation Strategy in April 1998 and expected approval of a Protected Areas Law by the Bulgarian Parliament in May 1998. Much fruitful work on the local level has taken place. To date, nominal staff increases for the two partner National Parks have been diluted by the unclear and changing status of the Park Directorates and of the National Nature Protection Service (NNPS), which has been shrunk to minimal staffing. It can be expected that a Protected Areas Law will bring about decisive developments in biodiversity management practices in FY98 and FY99. To this end, discussions are underway concerning a no-cost extension of the project contract until 9/30/99, as well as modifications in the contract budget and time table to reflect the long delays and apparent present push towards an accelerated work program. The project MoU will be renegotiated by the end of FY98.

USAID is willing to assist the GOB prepare and place an application before the World Bank for further GEF biodiversity financing. If a favorable Bank response is received, USAID/ Bulgaria plans to propose that project funding be increased to the extent that unused balances are available in other environmental programs which are concluded in Bulgaria, so that there can be a seamless interface between the USAID and Bank GEF biodiversity programs.

#### SUMMARY PERFORMANCE DATA TABLE:

Project Result	Indicator	Measurement Unit	FY97 Target	FY97 Actual
A. Stronger & more effective institutional structures & policies for management & administration of biodiversity conservation operational	A(1) Biodiversity agreements or policies directing government actions are approved	Number each year	2	1 (MEW - MAFAR Agreement signed; in addition in '98: PAL in Parliament; Biodiversity Conservation Strategy adopted by the Council of Ministers.)
B. Effective management regimes are adopted & operational in two National Parks	B(1) Biodiversity staff resources mobilized	Number added each year	19	14 (11 added in FY98)
	B(2) Improved biodiversity management practices carried out	Number each year	10	



## **II. Project 180-0016.07, "Trauma, Social Welfare and Humanitarian Assistance; NGO Humanitarian Grants"**

### **Progress towards achievement of objectives**

Although no obligations for Bulgaria under project 0016 had taken place since FY92, in response to an emergency appeal by the International Federation of the Red Cross (IFRC, later endorsed by the UNDP), in FY97 USAID provided \$2.1 million for procurement and shipping of emergency medical and food supplies, and \$400,000 for institutional strengthening of the Bulgarian Red Cross (BRC). These funds leveraged some \$7 million in private U.S. humanitarian donations, mostly of medicines, foodstuffs and clothing. Major U.S. private donors were HOPE, Soros Foundation and CARE. A number of European donors also provided institutional development assistance to the BRC. BHR/FFP made two Title II FY97 emergency humanitarian grants available to Catholic Relief Services (CRS, bread distribution, \$1.594 million) and the American Red Cross (supplemental feeding, \$3.099 million) for work in Bulgaria during FY98. The total U.S. response to the 1997-98 humanitarian emergency was over \$14 million.

This was a one-time program response to an unusual emergency situation attributable to the collapse of the economy. The collapse followed some five years of delay in Bulgaria's post-Communist transition including an exceptionally confusing three-year period of reversed reforms plus reimposed measures of the Communist-era command economy, exacerbated by widespread venality. The ensuing evaporation of confidence and capital flight wiped out private financial local currency assets. A severe anomaly occurred when the public health system proved unable to procure medical supplies for several months. A wheat shortage resulted from a below-average 1996 harvest and the absence of carryover stocks (attributed to illegal grain exports the previous year.) In short, several large groups (especially pensioners and young unemployed families) were left quite vulnerable to acute malnutrition and major hospitals were unable to cope with service demands.

During the 1997 emergency period U.S. assistance made the difference between life and death for many individuals. Resources for supplementary feeding and medical and pharmaceutical supplies were distributed in carefully designed and monitored programs, so that there was negligible loss or leakage and truly needy populations were in fact reached. By the close of FY97 most USAID-financed pharmaceuticals had been dispensed by recipient regional hospitals, technical assistance to the BRC was nearly completed and the IFRC's emergency supplemental feeding program was underway.

Residual work using FY97 funds was completed by March 1998. Throughout these extensive, grass-roots programs substantial favorable publicity was observed in local media.

### **Assessment of prospects**

As the Winter of 1997/98 drew to a close it was apparent that the emergency period was past. Financial stabilization had been achieved. While extensive industrial restructuring and privatization is expected during the coming two years, and unemployment is expected to persist, experience of the past twelve months is that most public sector lay-offs have been roughly matched by gains in private sector employment. Significant structural

unemployment in marginal groups persists, however.

By April 1998 the Government of Bulgaria was well into negotiations with the IMF for an Extended Fund Facility designed to launch the country on a sustained growth path. Several sector loans from the World Bank were under negotiation. The 1997 grain harvest was normal; the 1998 harvest is expected to yield a small surplus. Grain stocks have been rebuilt.

No obligation of SEED funds is planned in FY98 or following years for humanitarian programs.

## **II (A). A Note on Title II Programs**

Allocation of Title II program resources for Bulgaria, designed and managed by BHR/FFP/ER and ENI/DGSR, have occurred only in FY97. In the Spring of 1997 the above-noted IFRC appeal and UNDP report focussed attention on Bulgaria's difficult transition to free markets and balanced growth. BHR and ENI, in response to a request from USAID/Bulgaria, encouraged the non-governmental community to consider Title II programs to further assist Bulgaria overcome the emergency. The American Red Cross was already active in Bulgaria under the ENI grant noted above. ARC and CRS did submit proposals and started food distribution in December 1997. A January 1998 review mission by FFP, ENI and USAID/Bulgaria was very positive, citing rapid start-up, excellent collaboration, careful beneficiary targeting, appropriateness of commodities, well-designed and effective distribution chains and ample goodwill.

The Title II programs are designed to assist Bulgaria's transition to EU accession by easing the burden of structural unemployment and the effects of Bulgaria's very high adult dependency ratio in conditions of transition-related household poverty. CRS targets certain sub-groups among the long-term unemployed, while the ARC program focuses upon elderly pensioners. Follow-on transition Title II program proposals to BHR/FFP made in April 1998 by the ARC and CRS emphasize enhanced recipient targeting and linkage to USAID programs in microenterprise development and job creation.

## **III. Project 180-0021.10, "American University in Bulgaria"**

A late-FY96 obligation of almost \$15 million to establish a quasi-endowment fund under a Cooperative Agreement with AUBG did not become effective until May 1997, and investment fund operations did not commence until nearly the end of June 1997. It is reported that AUBG's investment managers have since performed in line with the bull market. The university prepared updated 10-year financial projections as required by the Cooperative Agreement establishing the quasi-endowment fund. With some reasonable assumptions on economic growth and ability of the University to cut costs and increase tuition, the projections show that the quasi-endowment fund will fully realize its purpose of sustaining the AUBG's operations without further USG assistance until the point when recurrent operating inflows exceed operating outflows. At that point in time projections show a significant balance remaining in the quasi-endowment fund, so that the balance of resources provided under the cooperative agreement will constitute the basis for growth of a true AUBG endowment fund.

## **IV. Project 180-0023.07, "Peace Corps (includes SPA)"**

This program continues to have the desired impact throughout Bulgaria in supporting

small-scale PC Volunteer initiatives supporting or complementing the USAID program. As the number of volunteers posted in Bulgaria is increasing, the allocation for this activity is increased for the FY 99 and 00 SPA programs before declining in accordance with USAID's country program phase-out.

#### **V. Project 180-0039.01, "IAA with EPA"**

Nearly \$3 million was transferred to EPA by 632(b)IAA between FY91 and FY94, but the Environmental Protection Agency has been rather slow to deplete the pipeline. In FY97 the EPA concluded (i) phase I of the ISC's cooperative waste disposal program with the MoEW and selected Bulgarian cities and towns, (ii) institutional support to the Environmental Management Training Center, (iii) a model air monitoring project with the MoEW's Regional Inspectorate in the city of Stara Zagora, (iv) a GIS demonstration activity, and (v) a program to strengthen the MoEW's public relations capabilities. Limited and rather diffuse impact has been realized from the various activities which EPA has carried out over the years with the MoEW. Firm plans are now in place to conclude USAID-funded EPA activities in the second quarter of FY99 with a 14-month effort (12/97 - 2/99) to enhance collaboration between cities and towns and the MoEW in developing viable solid waste disposal activities. It is expected that EPA will continue some regional initiatives beyond FY98 with Bulgaria's Ministry of Environment and Waters (MoEW), using its own resources. No further obligations of USAID resources are required or anticipated.

#### **VI. Project 180-0039.04, "U.S. National Park Service"**

Obligations took place during FY92 - FY94, and the major output is a modern building near the city of Sofia with exhibits, promotional film and audio-visual equipment. The Vitosha Mountain Reserve Visitor's Center provides Sofia's 1.3 million inhabitants with an excellent facility and provides the country with a model for use in developing Bulgaria's three national parks. About \$150,000 in residual funds may be proposed for transfer from this activity to the GEF biodiversity project (see item #1 above).

#### **VII. Project 180-0021.08, "American Center for International Labor Studies"**

The American Center for International Labor Studies (ACILS) places preponderate weight upon organizational and regional goals in its programming. Although the organization has proven itself to be a highly effective partner when its objectives and those of USAID/Bulgaria overlap or coincide, it is not integrated by any SO Team into core USAID/Bulgaria programs and is managed by ENI/DGSR/CS. As such, ACILS is outside of USAID/Bulgaria's manageable interest and is therefore placed in *SO 4.1* as a "special initiative." Earlier efforts to integrate ACILS into *SO 3.2* have been placed aside because of the 1997 strategy decision to close *SO 3.2* at the end of FY98 (except for residual assistance under the USDOL IAA). ACILS' performance under *SO 3.2* is detailed in that objective's review.

For the future, ACILS informed USAID in March 1998 that it believes posting of a U.S. national labor professional is essential to continued program impact. USAID has pointed out that program guidelines call for all activities to prepare for phase down and close-out by the end of FY02. It is understood that ACILS will propose to USAID a plan under which the present U.S. national advisor will be extended until September 1999, and will then be replaced by a local national. Resource requirements are projected accordingly through FY99, and are then phased down in accordance with over-all country guidelines.

#### **VIII. Project 180-0010.04, "Bulgarian American Enterprise Fund"**

The Bulgarian American Enterprise Fund (BAEF) will be fully funded in FY99 to its long-standing Congressional earmark of \$55 million. BAEF functions autonomously and is independently managed, with limited oversight exercised from ENI/ED/EF, and with no substantive USAID/Bulgaria role.

#### **IX. IAA 632(a) Transfer to the U.S. Department of the Treasury**

The economic crisis which Bulgaria weathered in early 1997 owes in part to towering external debt and shallow tax receipts due to poor collection and evasion. The Government of Bulgaria has taken deliberate steps to restructure foreign and domestic debt, and to reform tax policy and administration. To this extent, a new one-year program in debt management has been recommended by Treasury for FY 98 only. Technical Advisors under the Treasury Department program will provide assistance in restructuring domestic and foreign debt, and in formulating more efficient procedures for debt issuance and servicing.

In FY 97 the U.S. Department of the Treasury maintained support with regional funds for a Tax and Fiscal program based at the Ministry of Finance and reporting to the Deputy Minister for Tax. Significant technical assistance was provided in the area of modeling and forecasting and Treasury Advisors assisted in developing personal income tax and VAT models. Technical Assistance was also provided in other areas of tax reform related to collections, enforcement and detection.

Progress on tax reform, and the restructuring of the Government Tax Administration Department (GTAD) in FY 97 was slow, though steady. Because of the importance that the Government and the IMF ascribe to fiscal reform, and the role that it will play in macroeconomic stabilization and ultimately EU accession, USAID/Bulgaria has budgeted in FY 98 only for a one-year continuation of the Treasury Tax program. It is expected that over this next year, sufficient restructuring will have occurred, and that momentum built behind reform will be sustainable by the GOB with the assistance of other donors when the Treasury Tax program concludes during 1999.

No funding for Treasury Advisors in Debt Management or Tax is foreseen for FY 99 or thereafter.

## **SO 4.2: Cross-cutting**

No Results Framework, therefore no Performance Data Table, is required for this classification.

### **I. Project 180-0004.11, "CEE Environmental Economics and Policy Program"**

The USAID - HIID Cooperative Agreement for this activity expires 9/30/98 and will not be further extended. Keeping in mind the short time horizon of the activity, during FY97 USAID/Bulgaria consulted with HIID and ENI/EEUD and decided to shift this activity from *SO 1.3 (IR 1.3.1a)* to *SO 4.2*. The background to the decision is given below.

#### **1. Performance Analysis**

During FY97 the profound political changes in Bulgaria undoubtedly affected the Central and Eastern European Environmental Economics project (C4EP). In the first instance, advanced initiatives for preparation of environmental projects in two industrial sub-sectors (sugar refining/ethanol and leather tanning) were stymied as all facilities either experienced changes in ownership or control (from the public to the private sector) or became unprofitable due to changed macroeconomic parameters. Second, strict fiscal discipline leading to across-the-board cuts in public spending resulted in a sharp decline in capacity in the project's counterpart (Ministry of Environment and Waters, MoEW) so that plans for development of a project preparation and appraisal unit had to be shelved. Third, the two above-noted developments interacted to lead to non-response by the MoEW to strong positive queries about GOB support for international financing of a waste-water facility; C4EP had put substantial effort into successful preparation of the project identification documentation. Fourth, political changes led to a decision by the MoEW to cancel plans for a high-level policy seminar by C4EP on environmental project financing. Fifth, governmental priorities also shifted away from matching or leveraging donor resources through debt-for-equity swaps or environmental funds; instead, the MoEW emphasized control and direction of donor-assisted programs and evidenced concern about the autonomous management of Bulgaria's two environmental funds. C4EP had long attempted to work with the funds, devoting significant resources to this end at times when some pay-off appeared probable, but this line now appears futile.

In a situation of diminished MoEW core capacity, the GOB's present declared priorities are on narrowing the gap between Bulgarian environmental realities and the requirements of eventual EU accession. This new bias played strongly to the GEF biodiversity activity (see *SO 4.1*) and strengthened C4EP's efforts to develop public-private partnerships to advance financing of environmental initiatives. The partnerships effort became focussed on municipal solid waste, often in context of economic regions, an excellent match with *SO 2.3*. In April 1997 the project designed and carried out a study tour to Hungary by municipal and MoEW officials. The tour gave extensive exposure to Hungary's pace-setting public/ private partnerships in solid waste management.

Since it became apparent that C4EP was positioned to make substantive contributions in its final period towards impact under both *SO 1.3* and *SO 2.3*, the activity was shifted to *SO 4.2*. Now, impact under *IR 1.3.1a* ("alternative financial intermediation mechanisms developed") is sought through dissemination of financial policy experience (as well as aggressive pursuit of promising possibilities opening up as and when the above-described difficult industry-level situation might improve). Work by C4EP in municipal public-

private partnerships directly complements similar work (but not in solid waste management) under *SO 2.3 (IR 2.3.2a, "local government ability in financial management enhanced")*. The final eighteen months of work has unfolded accordingly.

## **2. Expected Progress Until Close-out at the End of FY98**

### **A. Environmental Financial Policy -**

While the project could be expected to concentrate upon playing a leading role in any environmental financing policy debate, in reality the period during which C4EP has been active in Bulgaria (1994-98) has been chaotic as far as this topic is concerned. No structured debate has developed. Intensive efforts by C4EP to stimulate systematic public policy consideration of means to finance the country's major environmental problems have not fallen on receptive ears. Short-term considerations have dominated the public environmental debate. However, C4EP has been able to make some environmental policy contributions in three areas.

First, Bulgaria is committed to playing a lead role in regional efforts to phase out unleaded gasoline and to reduce sulphur dioxide omissions. The C4EP project in mid-FY98 concluded two years of sporadic policy advice to the MoEW with written comments on two synthesis papers prepared for the MoEW by Bulgarian consultants. Second, the above-noted inconclusive work in the tannery sub-sector did yield a number of policy insights which transcend the sub-sector; as they are rooted in topical Bulgarian experience and so have a reasonable chance of influencing any incipient policy debate on environmental matters, a policy paper will be written based upon tannery experience. Third, C4EP will attempt to assist municipalities put into practice solid waste management policies encouraging to public-private partnerships, including policy analysis of possible product charges.

(The latter work should directly contribute to impact sought under phase II of a modest EPA-financed intervention to strengthen municipal solid waste management capabilities, especially planning in a national context, as detailed under *SO 4.1, item VI.*)

### **B. Municipal Public-private Partnerships -**

In early FY98 C4EP worked in three Bulgarian cities (Plovdiv, Haskovo and Razgrad) to assist municipal deliberations on establishment of joint ventures for solid waste management. Late in FY97, intensive contacts between the C4EP and several key members of the Black Sea Municipal Association led to a project undertaking to do a survey of municipal solid waste facilities, practices and plans in the region; the survey was completed in April 1998. In late April a second study tour to Hungary took place, for Black Sea Association member cities. The Black Sea region is home to Bulgaria's popular summer resorts, a situation which poses unusual challenges for solid waste management as well as real business opportunities. The project plans to pass to the *SO 2.3* team the fruits of their efforts in this region, as well as in the cities of Plovdiv, Haskovo, Razgrad, Russe and Stara Zagora. Trained officials, exposure to successful eastern European practice, project concept papers and (in two cases) preparation of bid documents, a manual on "promotion of public-private partnerships in municipal solid waste management" and a small-scale investment forum for municipal solid waste management should be completed before C4EP close-out, and are cumulatively designed to provide a solid basis for further action by the *SO 2.3* team.

**C. Under IR 1.3.1a** ("alternative financial intermediation mechanisms developed") final-year activity will focus upon delivery of a training course on "Preparing Bankable Projects" which will draw upon C4EP's extensive work in preliminary documentation to attract external finance in the two industrial sub-sectors noted above (sugar refining and leather tanning). The course will be prepared and delivered in collaboration with the Ministry of Industry and the Bulgarian Association of Industries. Furthermore, as noted earlier C4EP will prepare a policy analysis of project experience in the tannery sub-sector, for distribution in Bulgaria.

## **II. Project 180-0045.01, "Technical Training for Societies in Transition (TRANSIT)"**

USAID/Bulgaria's participant training is conducted under TRANSIT-Europe (originally called the Participant Training Project for Europe), which is funded by USAID through the Global Training for Development (GTD) contract of G Bureau. The contractor maintains a fully-staffed office in Sofia. Participant training is a powerful tool for the SO teams in consolidating and focussing human capacity to achieve intermediate results, and USAID/Bulgaria attempts to program training close to the optimal absorptive capacity of the core SO teams.

### **1. Performance Analysis**

Highly refined training procedures are used to ensure that each activity clearly and directly supports one or more strategic objectives of the country program, by formalizing the medium-term relationship between the SO and the training program, and documenting commitment of all parties involved in the training. The Bulgaria-designed forms were approved by USAID/Washington. Each and every training program under TRANSIT is initiated by an SO Team, and justified in the context of the respective Strategic Objective's Intermediate Results. Synergy is always considered in the justification. These rules were applied for all of the 90 participants trained under TRANSIT in FY97.

Increasingly, the SO teams are learning to use the participant training project as a strong supplemental tool for achieving stated results. The Mission Human Capacity Development Management Committee (HCDMC) has been acting to further improve this process by using the SO team program-request-and-justification procedure to introduce competition among teams in accessing TRANSIT funds.

The FY97 program has mainly impacted the strategic areas aiming at a more competitive and market responsive private financial sector, the creation of a competitive environment to stimulate growth of private firms, increasing citizens participation, and improving local governments. This has been achieved through developing the human capacity of the Bulgarian Securities and Stock Exchange Commission, professional business associations, intellectual property rights enforcement agencies, and media and municipal associations.

### **2. Expected Progress Through FY 2000 and Management Action**

"Training for Impact" is the standard at USAID/Bulgaria, with SO teams now proficient in using this resource for achieving results. TRANSIT is the training resource of choice, as USAID/Bulgaria policy is that separate obligations in contracts and grants for U.S. and third country training are discouraged. The FY98 Bulgaria Training Plan emphasizes support to private sector business associations; improved government policies fostering competition and private sector growth; stabilization of the banking system; developing of

the securities market; improving local governments' financial tools and mechanisms; and, institutional support for local governments. (reference *intermediate results* 1.3.2, 1.3.3, 1.4.1, 1.4.2, 2.3.2, 2.3.4.) In addition, better training impact analysis should be achieved through the introduction of USAID's TraiNet training information and management system at Mission and contractors offices. As an early adopter site, Bulgaria already has the system installed and USAID expects to have it fully operational by mid-1998. Consequently, systems and procedures are fully in place to realize the Mission goal of making available as much training resources as feasible up to the absorptive capacity of core SO teams. Resources requested for TRANSIT in FY 2000 meet that objective, constrained by a declining over-all country budget level. No further management actions are anticipated for this matured supportive activity.

### **III. Project 180-0249.02, "Audit, Evaluation and Project Support"**

#### **1. Performance Analysis**

During FY97 USAID/Bulgaria obligated approximately \$524,000 (including carryover) under this activity, in support of all active strategic objectives. Activities ranged from Personal Services Contracting to a Grant to an International Organization. Two major evaluations and two broad-scale surveys were financed. Three workshops or conferences in support of start-up activities were made possible by AE&PS resources in FY97. An investigation of a possible new initiative was undertaken and careful monitoring of a special humanitarian initiative was possible thanks to this resource. Surveys of the accounting systems of possible grant awardees were paid for out of AE&PS in FY97. The resource is indispensable to USAID/Bulgaria's operations.

#### **2. Expected Progress Through FY 2000 and Management Action**

Each year, a major activity is to support program operations with PSCs, and such obligations constitute an annual floor for AE&PS requirements of about \$250,000, including prorated office rent, ADP equipment and telecommunication expenses of approximately \$50,000 in FY98 and \$75,000 in subsequent fiscal years. With a view towards country graduation, over time other AE&PS funding will shift to support for analysis, urgent technical assistance to evaluate targets for the indicators set forth, as well as evaluation of programs and end-of-project surveys. With respect to the capacity of Bulgaria to meet EU accession criteria, stress may be anticipated on the replication of lessons learned and successes achieved. In compliance with "Year 2000" technical requirements, funding will be needed for replacement of outdated equipment for program-funded PSCs. The decline in funding for AE&PS proposed for FY 2000 is in line with the over-all country budget level's decrease, constrained as noted by operational requirements. No management actions are anticipated for this matured supportive activity.



## USAID/BULGARIA RESULTS REVIEW AND RESOURCE REQUEST

### Part III: MANAGEMENT CONTRACT

#### **A. Status of the Management Contract**

As earlier highlighted in Part I, in 1997 major positive changes in Bulgaria's commitment to free market reform and an open, civil society led to development of a new USAID country strategy. That strategy was approved in February 1998 (State 031003). The Results Review is based upon the former strategy, because new Strategic Objectives (SO) and modified Results Frameworks have become effective only very recently. (The new or updated Results Frameworks are being sent to Washington at the same time as this document, for ready reference.) The Resource Request, of course, is based upon the just-approved strategy, which carries the Bulgaria program through to close-out in FY 02.

In two cases, careful, systematic transitions between strategic objectives have been fully negotiated in detailed agreements between USAID/Bulgaria and the ENI Bureau (as discussed in Part II). In the first instance, a major change has taken place in the economic restructuring and growth portfolio, with the closure of the privatization (*SO 1.1*) and activation of a broad financial sector program (*SO 1.4*), and this transition started in the Summer of 1996. In the second case, the close-out of *SO 3.2* was carefully phased not so much as a closure but a consolidation action. Several activities "hot-housed" under 3.2 are being taken up and expanded under other SOs, closely linked to their on-going, core programs. Other, clearly delimited *SO 3.2* programs will end in early FY 99 (in one case in FY 00), as work programs are concluded with pipeline funds.

Because Bulgaria's stabilization program has been so successful, humanitarian activities which might have been further developed under a full *SO 3.1* were instead recorded under *SO 4.1* as special, one-time initiatives for FY 97. The discussion in Part II treats these extensively (and describes Title II activities as well), in order to catch the complexity of the management actions taken to address Bulgaria's short-lived humanitarian emergency.

No strategic objectives or intermediate results are identified for future closure or phase-down on performance grounds in this FY 00 R4, although such transitions are inevitable as program close-down approaches, and will be dealt with in the next R4.

#### **B. Issues and Concerns:**

##### Staff Training:

During FY 97 and early FY 98 roughly 90% of FSN professional staff has turned over within USAID/Bulgaria, in addition to the two new positions established. While all of the new-comers are experts in their sectors, USAID-specific training is absolutely necessary. USAID/ Bulgaria intends to take the opportunity of sending FSNs to attend training courses that the Bureau is planning to organize. We would recommend that such courses are distributed throughout the year and information on their content is made available well in advance. Note that no further changes in FSNPSC staffing are being proposed.

##### Field Obligations and Support from RSC:

With the maturation of USAID's Bulgaria program two new trends can be identified - program activities are becoming more country specific and more managerial

responsibilities have been shifted to the mission. This in turn has called for gradually increasing the number of field-based obligations. The opening of an RCO in Budapest and the establishment of a Regional Support Center (RSC) has been a significant relief in supporting Bulgaria program. However, given current priorities on southern-tier countries, the RSC is pressed to consider dozens of activities and it takes quite a while before a contractual action is finalized. It is worth considering staff increase for relevant offices in Budapest.

#### COTR Responsibilities:

The increased number of field-based program procurement actions has imposed COTR responsibilities on local staff. Given the relatively modest number of USDH and USPSC positions (currently 4 and 1, no plans for changes), in some cases COTR responsibilities are delegated to FSNs. This once again calls for appropriate training if financial vulnerability is to be avoided.

#### FSN incentives:

With the COTR responsibilities shifted to the field and especially with intensive work associated with up-coming close-outs, USAID/Bulgaria is becoming more dependent on FSNs for doing business. The current practice of considering senior FSNs working for USAID as regular Embassy staff does not best serve program interests, as it restricts implementation of flexible incentive schemes. While we are happy to be working with well educated and capable Bulgarians, there is a real problem with providing them with the right incentives appropriate for their contribution to the success of the program in the country. In early FY 98 the position of the Executive Officer was acquired by an FSN, after the retirement of the USDH. By the end of FY 98 one more USDH (the Program Officer) will retire and is to be replaced by a local employee. No further personnel changes in either Program Office or EXO staffing are planned.

#### Results Monitoring:

Relying on contractors for submitting data on relevant indicators has been a real issue for the SOs in the democracy area. In view of that and as a follow-on to the new strategy and recently drafted new Performance Monitoring Plan, USAID/Bulgaria will be involved in baseline data collection effort, funded under A&PS. This is currently planned to take place in early summer of 1998. Meanwhile, refinement of some targets and finalizing others will take place during the July/August time-frame with the objective of completing the process by the end of August, 1998. The delay is imposed by European Union procedures for agreeing upon an initial accession plan with Bulgaria.

**USAID/BULGARIA**  
**RESULTS REVIEW AND RESOURCE REQUEST**  
**Part IV, Section 1**

**RESOURCE REQUEST BY STRATEGIC OBJECTIVE**

Funding requirements for the time frame FY 98 - FY 00 are in conformity with the approved country levels in the Strategy document developed in November 1997. The paragraphs to follow briefly summarize the funding considerations by SO as well as some changes in the funding levels that have been introduced during the past 4 months. Budget spreadsheets are attached.

**SO 1.3. Resource Request**

*SO 1.3* was conceived and the first activities were implemented more than three years ago. Over this time, the program has evolved from a predominantly "retail" assistance delivered at the firm level, to one which now seeks to induce greater private sector change through policy, legal, and regulatory level initiatives coordinated with and through intermediate support organizations. The USAID/Bulgaria Strategy discusses more completely the priority activities under this SO, and links them to phase out in year 2002. Consistent with this strategy and approach, ABA/CEELI and the Implementing Policy Change program will continue as cornerstones of *SO 1.3*, and will remain critical to achieving the intended results. CEELI and IPC efforts will be closely coordinated with members of the FLAG consortium which will continue to play a major role in the development of Bulgaria's private sector, and in fostering a competitive market environment. Because of their central roles in the program, CEELI and IPC will be funded through FY 00. Overall funding for FLAG will be reduced, with resources dedicated to only those members working at institutional, legal and regulatory issues.

The Citizens' Democracy Corp was zero funded in FY 1998, with Land O'Lakes and MBA Enterprise Corp being closed-out in FY 99.

In order to support economic reform and Bulgaria's ability to sustain broad-based growth, USAID/Bulgaria will maintain funding for the Ron Brown Fellowship Program through FY 00. Initially, the Fellowship program was planned as a two-year activity ending in FY 98. However, because of the success of the program to date, and because of its acceptance and value to the GOB in providing medium-term U.S. training for young leaders involved in charting economic policy, funding at a level of \$100,000/year will be maintained through FY 00. Further, the program directly complements USIS/Bulgaria's new initiative in macro-economic advisory assistance.

In FY 98 USAID initiated an activity which was conceived during and as a result of the economic crisis experienced in 1997. At the special request of the GOB, USAID has developed an assistance program targeting the Agency for Economic Analyses and Forecasting, which is central to the Government's economic modeling and forecasting capabilities. The program will be implemented through the Harvard Institute for International Development under the CAER II project. This activity is tentatively planned for two years, with an option to extend funding for a third year. First-year funding will be \$350,000, with \$200,000 budgeted for each of the next two years.

Support for energy sector reform and restructuring has historically been provided under *SO 1.3*. While the need for substantial assistance in this area remains, USAID and other donors have been similarly frustrated by the direction and pace of reform. Recent efforts providing assistance in legislative drafting were fruitless, and as a result USAID/Bulgaria has suspended the prospect for any substantive assistance in the short-term. Any future initiative must be predicated upon the substantial and demonstrated commitment on the part of the GOB, and will be closely coordinated with efforts administered by the International Financial Institutions.

Based upon the expectation that IFIs will negotiate energy sector conditionality in upcoming loan negotiations, and that this will influence the Government's support for energy sector reform, USAID has budgeted \$250,000 for FY 98 and FY 99, which together with pipeline resources will be adequate to support the delivery of short-term technical assistance if such a need arises.

#### **SO 1.4 Resource Request**

*SO 1.4* activities which are on-going or which are being developed contribute directly to creating the enabling institutional, legal and regulatory framework for a stable and transparent financial market which is fundamental to broad based growth. This Strategic Objective was launched in the spring of 1997 in response to the economic crisis, and now consists of three core activities: Banking sector stabilization and reform; Capital Markets development and strengthening, and the development of a private pension system. Each of these activities is comprised of several elements, the most important of which center on regulation, supervision and oversight which are critical to stability, and the development of public trust and confidence.

Bank privatization and supervision were launched and forward-funded in FY 97. The current mortgage under the two-year FSDP contract is slightly above \$100,000. A successor two-year contract (FY 98 and FY 99) will be tendered under the SEGIR mechanism in FY 98 and will complement the ongoing efforts in establishing a sound, regulated and efficient banking system. Banking is a key activity, and support for supervision is budgeted at \$1 million for each of the next two years, with approximately the same amount envisioned for a third year (FY 00). Activities related to bank privatization will end in FY 99 with funding in this year budgeted at \$500,000.

Under the Capital Markets line item, four new activities will be initiated in FY 98 which call for substantial level of funding during the first year (\$2,650,000), which is supplementary to the \$2.44 million in carryover. Capital Markets activities centered on the Securities and Stock Exchanges Commission (SSEC) are central to the establishment of a well-regulated market and therefore will be funded for three years through FY 00 at a level of approximately \$1 million/year. Initiatives targeting non-regulatory market institutions will be launched in FY 98 and continue for three years, with the lion's share of the resources needed in the first year. This component capital market activity will be funded under a two-year contract totaling approximately \$4.25 million.

Pension reform focused on the creation of a private pension system will be started-up in FY 98 and is expected to be funded over three years. A base two-year contract is under negotiation as is estimated at \$1.5 million. Given the importance of the activity as a

complement to the development of a regulated, transparent, liquid securities market, and the possibility that the government may also request USAID assistance in support of more broad-reaching reforms to the public system, third year of support has been budgeted.

### **SO 2.1 Resource Request**

Three new activities will be funded under this SO starting in FY 98: Phase II of the Democracy Network Program (DNP); the anti-corruption activity; and the parliamentary support program. FY 99 marks a substantial increase in the funding request (\$4.35 million) for this SO - two times and a half the funding level in FY 98. This is justified by forward funding required for the DNP - Phase II during FY 99 (\$2.75 million). The late start of the DNP-II at the end of FY98 enables only modest FY98 funding for this new program (at \$1 million, of which fifty-fifty carryover and NOA), provided that appropriate funding is made available in FY99, as indicated. The funding level for this program in FY 00 is in compliance with gradual shrinking of country budget in view of close-out in FY 02 and the establishment of transition funds which will directly support indigenous CSO.

The anti-corruption activity will be funded for three FYs starting in FY 98. The increased resource request for FY 99 and FY 00 is justified by the cross cutting nature of the activity and its late start in FY 98. The increase in *SO 2.1* funding for FY 2000 is mostly due to the \$2.3 million transition fund elements. This is meant to assure a funding bridge to ISOs to provide resources to NGOs after the close of DemNet II.

### **SO 2.2 Resource Request**

USAID/Bulgaria is currently in a process of negotiation of a contract for designing the activities under this new SO. The importance of *SO 2.2* in terms of assisting the country in meeting EU accession criteria requires a substantial level of funding in order to provide a quick start-up to move forward with establishing a Judicial Training Institute and improvement of court administrative procedures. The estimated level of required funding is at about \$2.5 million for the first two years, dropping to \$1.5 million in FY 00.

### **SO 2.3 Resource Request**

Given the high priority of *SO 2.3* for USAID program in Bulgaria and the initiation of the second phase of the Local Government Initiative (LGI) in FY 98, the estimates are that \$4.35 million will be needed to support activities within the initiative during the first two years (FY 98 & 99). The new LGI contract itself is planned as a 42-month effort in two phases. The total amount of the contract is estimated at \$5.5 million. With the initiation of transition funds in FY 00, funding for LGI will drop to \$2.6 million. The integrated community level support program of the USDOL is proposed for two years of support at \$650,000 each year, starting in the current fiscal year.

### **SO 3.2 Resource Request**

FY 98 is the last year of funding under the strategic objective.

**SO 4.1 Resource request**

The major drop of the funding request for this SO in FY 00 is tied to completing the funding of the BAEF in year FY 99.

**SO 4.2 Resource Request**

Funding for the Environmental finance activity (HID) has been reduced from \$400,000 to \$250,000 in FY 98. The difference of \$150,000 has been re-directed to the Macro-advisory services under *SO 1.3* for which the implementing institution is again HID.

Given the cross-cutting nature of the TRANSIT as well as its high priority for the country program it will be flat funded at \$1.2 million in FY 98 and FY 99. The \$1 mln allocated to this activity in FY 00 is justified by the starting decline in country budget during that fiscal year. Funds for AE&PS are absolutely essential to support the entire country program.

Resource Request Tables can be found in Annex 1.

## Part IV, Section 2

### PRIORITIZATION OF STRATEGIC OBJECTIVES

USAID/ Bulgaria ranks strategic objectives from highest to lowest, left-to-right, as follows:

1.3 2.3 1.4 4.2 2.1 2.2 4.1 3.2

Performance under the highest priority strategic objectives (1.3 and 2.3) has exceeded expectations. These two have long formed the core of the USAID/ Bulgaria strategic approach. The new *SO 1.4* is a vital link in the newly-approved country strategy. The two activities financed under 4.2 are vital to carrying out the USAID program - participant training and AE&PS (which supports all SOs, especially by funding locally-hired program staff).

Recent performance under 2.1 has been satisfactory, and grass-roots democracy building under 2.1 lies at the heart of the country strategy. While the nascent rule of law (*SO 2.2*) does address a critical shortcoming in Bulgaria's present civil society, it could be eliminated from the USAID program under a scenario of very sharply reduced funding, with numerous adjustments in the four higher-ranked program SOs becoming necessary.

The four "special initiatives" under *SO 4.1* are not incorporated into the core assistance program and therefor could be eliminated without damaging core initiatives in private enterprise and democratization. As noted in the extensive narrative in Part I, *SO 3.2* has been approved for elimination in FY98, in the just-approved country strategy.

Over the period of the R4, USAID/ Bulgaria proposes to maintain a strong level of funding for the priority SOs while allocating every possible incremental resource to the civil society (*SO 2.1*) which is considered vital for transition. We consider it essential to develop the capacity of civil society intermediaries, building upon several years' work to date, so that transition grants associated with approaching program close-out can be negotiated and implemented with a high degree of confidence in prudent, high-impact programming. In order to have the longest possible oversight relationship, we plan to execute the first program transition grants in this sector, in FY00.

While inevitably a substantial proportion of resources is provided to complete the enterprise fund earmark in FY99, in FY00 the appropriate near-cessation in "special initiatives" funding enables robust core program implementation to continue across the board into the next century. All the higher-ranked objectives receive proportionately greater funding in FY00 than in FY99, while the low-ranked are both proportionately and absolutely reduced, on the path to close-out.

This submission does propose several minor deviations from the FY99 levels approved in the management contract (98 State 031003). A shift of \$300,000 is proposed from *SO 1.4* to *SO 2.1*, as the former has an FY96/97 carryover of over \$2.4 million which will not be drawn down as rapidly as earlier anticipated. The *SO 2.1* team will use the additional money to augment a new program to combat corruption. We propose shifting \$100,000 from *SO 2.2* to provide essential resources to support the expanded program-funded staff,

under *SO 4.2*. As noted in the OE and AE&PS narratives, this has become imperative.



### **Part IV, Section 3**

#### **FIELD SUPPORT REQUIRED FROM USAID/WASHINGTON OFFICES**

##### **I. Global Bureau** ("Global Field Support" table is attached in Annex 2).

USAID/Bulgaria plans to obligate roughly 40% of its annual budget via buy-ins to Global Bureau contracts for each of the FYs in the time-frame 1998 - 2000. Not only the dollar amount has been increased from last year, but also the number of individual activities to be implemented under such contracts has been tripled. This marks a new trend in the relationship between the field and the G Bureau. The flexibility of G Bureau contractual mechanisms, broader-based programs, and variety of contractors are important benefits which explain this change, also good technical support is a contributing factor.

Under *SO 1.3*, USAID/Bulgaria plans to complete a buy-in to the Global Bureau's (EG) Implementing Policy Change activity, using FY 98 NOA of \$600,000. Another \$600,000 is allocated to the same activity in FY 99 and \$500,000 in FY 00. In addition, USAID/Bulgaria plans to obligate \$350,000 for the new macro-economic advisory services activity through HIID under the CAER II project in FY 98; an additional \$400,000 is likely to be provided for two more years, equally distributed between FY 99 and FY 00.

*SO 1.4*: Currently, two of the activities under this SO are funded through the G Bureau FSDP II mechanism - Bank Privatization and Bank Supervision. It is envisioned that three new activities - Capital markets, SEC, and Pension funds will utilize the contracts under the G/B Support for Economic Growth and Institutional Reform (SEGIR) Project, as well as the new Bank Supervision award.

Under *SO 2.1* the Anti-Corruption activity will be funded under the G/DG anti-corruption project 936-5466.

Under *SO 2.3*, USAID/Bulgaria will buy-in to G Bureau's management IQCs for the LGI contract. The contract will amount to \$5.5 for 42 months, starting in FY 98. In addition, the mission is completing a buy-in to the Global Bureau's municipal partnerships contract with ICMA, providing \$750,000 in FY 98 and \$500,000 in FY 99.

Under *SO 4.2*, a buy-in of \$1.2 million is anticipated for FY 98 and FY 99 and \$1 million during FY 00 to the Global Training for Development project.

##### **II. Other Washington and Regional Offices**

As ENI Bureau policy continues to shift COTR responsibilities to the field, the mission will emphatically rely upon Washington-based offices for continuous technical support. Regular visits of POT members are the only way to make the concept of virtual teams operational. For *SOs 2.1, 2.2 and 2.3* the mission has already requested short-term assistance from ENI/DGSR, due to a break in assignment between USDH Democracy Officers.

The increased number of field obligations has greatly elevated the role of the Regional Support Center in Budapest and especially the RCO and the RFMO. Current relations are strong. Given the expanded direct implementation responsibilities of USAID/Sofia and the

initiation (by delegation) of more and more FSNPSC COTRs, quarterly visits of RCO and RFMO representatives are highly desirable for both team building and implementation.

**Part IV, Section 4**  
**WORKFORCE AND OPERATING EXPENSES**

USAID/Sofia expects a large and active portfolio through the period, with no substantial reduction in program resources subject to mission's management. As the focus shifts to the southern tier including Bulgaria, and the reform process accelerates here, we will be hard pressed to adequately manage the program, even with the increased line management staff discussed elsewhere in this R4. In particular, greatly augmented COTR responsibilities translates to heightened staff intensity and vulnerability. Therefore, we require a full staff complement to implement the program, with no possible reductions in the workforce levels until 2001 at the earliest.

Based on the overall review of the mission's needs in the three-year period covered by this report, we anticipate it will be necessary to request higher OE budget levels for FY98 through FY00.

**In FY1998:**

(1) One of the main reasons for the increased OE requirement is the recent demand by USAID's landlord for payment of Value Added Tax on the office rent. Our office rent constitutes a considerable portion of the OE budget and as the VAT is 22 percent of the rent amount, it is a substantial sum in itself. USAID is VAT exempt, but must pay the charges and apply through the Embassy to the GOB for reimbursement, an uncertain, lengthy and clumsy process. Relying on timely reimbursement within the same FY is problematic. It is likely that VAT will be payable quarterly, as the rent has been. (A new lease is to be negotiated in August 1998.) Prudent management suggests that USAID cannot rely upon prompt reimbursement of the fourth quarter VAT payment before the close of the fiscal year, but that the payment will carry over into the following fiscal year, unavailable for application to the first quarter payment.

(2) Another major mandatory expense that needs to be covered by the mission OE budget is related to the USAID/W requirement of equipment Y2K compliance. Any corrective actions taken are to be funded out of our approved OE budget level.

(3) We have already financed a few visits of USAID/W personnel which were necessary to support one of our offices during a transitional period when it was short-staffed.

The FY98 approved OE level will be impossible to meet without split-funding the expenses for office rent and office telecommunication charges between OE and program (AE&PS), and finding some means of managing the expected "float" in payment of VAT charges. Therefore, we request the following measures now be authorized for FY98 and future years:

(1) We propose that, effective October 1, 1997, we be authorized to split-fund annual office rental (of \$115,000 in FY98) on a pro-rata basis considering the area occupied by OE- and program-funded staff. The ratio is 3:1. If this is not acceptable, we request at least that one-third of the total office rent for the second one-half of the fiscal year be authorized for coverage out of program (AE&PS)

money, i.e., up to \$25,000. Note that it is impossible to physically separate space occupied by OE and program staff, due to over-riding security and operational considerations.

(2) The fourth quarter VAT payment on the office rent this fiscal year is expected to be at least \$6,325. For the reason noted above, we request authorization to make the fourth quarter payment of VAT charges using program (AE&PS) funds. Eventual local currency reimbursement of the payment by the GOB would be drawn upon by the U.S. Embassy cashier to make local currency-denominated program payments.

(3) We propose that, effective October 1, 1997, USAID actual long distance telecommunication costs be split-funded between OE and program (AE&PS) money in the ratio of 3:1, based on direct observations in recording long-distance phone calls placed by the OE and program-funded staff. If this is not acceptable, we request at least that one-third of long distance charges for the second one-half of the fiscal year be authorized for coverage out of program (AE&PS) money, up to \$2,500.

#### **FY1999/FY2000**

About a year ago a currency board was introduced in Bulgaria. Worldwide experience suggests that, in counties with a currency board, inflation is mitigated but by no means vanquished. This, of course, needs to be factored in the annual budget requests. It is reflected in the level of the recurring obligations, FSN PSC salaries, rental, etc. In addition to this general effect, certain expense categories also act to bring our request above the (identical) target level for both FY99 and FY00, as follows:

(1) Office renovation - USAID/Sofia offices have not been renovated for the past six or seven years (FY99).

(2) Because of expected temporary absence of the FSN EXO for a period of six to nine months, either an third country or US PSC should be brought on board for part of that time (FY99).

(3) We must plan to replace one of our official vehicles bought in 1995 (FY00).

If no additional OE funds were allocated in the coming two fiscal years, this would definitely have a negative impact on the overall program as non-mandatory expenses would have to be cut down drastically: field trips, training travel, USAID/W personnel visits, office renovation, purchase of a new vehicle, and establishing an internet/intranet connection can be noted.

If the requested authorization for split-funding rent and certain telecommunications charges is forthcoming, and a realistic means for managing the "float" in VAT payments including program funds can be agreed, then the above-sketched program of curtailment of non-mandatory expenses can be modified. Actually, we cannot fit into our target levels for FY1999 and FY2000 if split funding of some expenses is not approved, without truly drastic curtailments.

Projected negative impact on Mission staff and operations as a result of possible disapproval of the requested OE levels for FYs 1999 and 2000 is a matter of consideration on a Code by Code case basis, noting differences between Target and Request levels, and is stated below:

## **FY 1999**

### **11.8 Special Personal Services Payments**

**USPSC Salaries - Target Level:\$0.0; Request level:\$50K**

EXOs in their role as human resource managers are actively involved in the strategic management process. The EXO directly affects staff activities, the technical integrity of the office operations, and financial stability on a daily basis. Therefore, temporary coverage by a US or third country PSC for the FSN EXO for at least three months during the expected lengthy absence is essential for effective strategic management and implementation.

**FSN PSC Salaries - Target level: \$109K; Request level: \$116K**

In comparison to FY 1998, an increase of the FSN salaries of 10% over the target level and 20% in the request level has been included in order to meet expected salary adjustments.

An additional amount of 9K in the target level, and 6K in the request level has been provided to cover the temporary absence of the EXO FSN for 6 to 9 months, by employment of a US or third country PSC EXO for about three months.

### **21 Training Travel - Target level: \$5K; Request travel:\$10K**

Staff training is a very important element of personnel management and has a crucial role in personnel motivation for successful implementation of the strategic program.

### **21 Site visits by Headquarters Personnel - Target level:\$0K; Request travel:\$5K**

As noted, USAID/ Bulgaria plans a very sharp increase in buy-ins to G Bureau programs. Commensurate with this are increasing technical relationships with G Bureau USDH staff who do not have much travel money. It is essential for program implementation and financial control that budget be provided for headquarters site visits.

### **23.2 Rental payment to Others - Office space - Target level: 77K; Request level: 115K**

The total FY 99 OE target level CAN NOT be met without splitting the office rent between OE and program fund allocations. Moving of the office to a location with a cheaper rent would in itself be expensive and would result in disruption of the office operation in one of the best organized and functioning offices in the region.

### **23.3 Telecommunication costs (office) Target level: 10K; Request level:16K**

The total FY 99 OE target level CAN NOT be met without splitting the office telecommunication costs between the OE and program fund allocations.

**25.2 Other Miscellaneous Services - Target level:37K; Request level:45K**

This Code includes the VAT charges. The target level can not be met without careful management of these charges, possibly employing both OE and program funds.

**31 ADP Hardware Purchases-Target level:18K; Request level: 24K**

The total FY99 OE target level CAN NOT be met without splitting the ADP Hardware Purchases between OE and program allocations.

**32 Building Renovations/Office - Target level:1K; Request level:5K**

The planned office renovations - change of office carpet, painting, etc. CAN NOT be met within the Target OE FY 99 level.

In order to meet the FY 99 OE target level of \$500,000 we will have to split-fund some expenses between OE and program funds, as noted, and will have to curtail non-mandatory expenses across the board.

**FY 2000**

**11.8 Special Personal Services Payments**

**FSN PSC Salaries - Target level: \$116K; Request level: \$120K**

The negative impact of any unforeseen external environmental factors on the FSN salaries could not be met within the FY 00 OE Target level, which is the same as in FY 1999. A 6% increase for compensation purposes has been provided in the Request level.

**21 Headquarters Site Visit and Training Travel - Target level:\$5K; Request travel:\$10K**

The case is similar to the one for FY 1999 as described above.

**23.3 Telephone costs (office) Target level:12K; Request level:18K**

The total FY 2000 OE target level CAN NOT be met without splitting the office telecommunication costs between OE and program allocations.

**25.2 Other Miscellaneous Services-Target level:42K; Request level:50K**

The case is similar as in FY 1999.

**31 ADP Hardware Purchases-Target level:18K; Request level: 24K**

The total FY 2000 OE target level CAN NOT be met without splitting the ADP Hardware

Purchases between the OE and the AE&PS BUD allocations.

### **31 Equipment - Purchase of Vehicle**

The need to procure a new official vehicle in order to replace the one purchased in 1995 can not be met within the target level.

The good technical condition of the motor pool is a guarantee for personnel health and safety. Since road conditions in Bulgaria are not good and repair and maintenance costs go constantly up, it is certainly prudent to plan for vehicle replacement.

## **Part IV, Section 4 Environmental Compliance**

No direct physical interventions are planned for program support in FY00. Therefore, neither initial environmental examinations nor environmental assessments will be required. The situation is the same for the FY98 program.

The Bureau may wish to schedule an impact evaluation of the concluding EAPS activity which supported conversion of the fuel source for heating boilers from coal to natural gas in the city of Stara Zagora (project 180-0039.10).

**BULGARIA COUNTRY PLANNING BUDGETS - FY 98 - FY 2000  
BY PROJECT**

**Proprietary Procurement Information:**  
**Criminal and Civil Penalties Apply for Disclosure**  
**Outside the U.S. Government**

Project No.	(in dol.. thousands)	FY 98 OYB	FY 99 OYB	FY 00 OYB
<b>TOTAL</b>	<b>Activity</b>	<b>31,051</b>	<b>30,000</b>	<b>20,000</b>
180-0004	Environmental Initiatives			
.11	* HIID	250	0	0
	<b>PROJECT TOTAL</b>	<b>250</b>	<b>0</b>	<b>0</b>
180-0010	Enterprise Funds			
.04	* Bulgaria Enterprise Fund	5,000	5,900	0
	<b>PROJECT TOTAL</b>	<b>5,000</b>	<b>5,900</b>	<b>0</b>
180-0014	Privatization, Enterprise Restructuring			
.02	* Capital Markets	3,650	2,700	2,400
.04	* Banking Sector	2,150	2,500	1,800
	* Macro Economic Advisory Services (HIID)	350	200	200
	<b>PROJECT TOTAL</b>	<b>6,150</b>	<b>5,400</b>	<b>4,400</b>
180-0019	Democratic Gov. & Public Admin.			
.07	* Local Government Initiative	4,350	4,350	2,600
	* Transition Funds	0	0	1,500
	<b>PROJECT TOTAL</b>	<b>4,350</b>	<b>4,350</b>	<b>4,100</b>
180-0020	Rule of Law			
.02	* ABA Grant	500	500	500
	* New activities (TBD)	2,475	2,300	1,500
	* Partners for Democratic Change	76	0	0
	<b>PROJECT TOTAL</b>	<b>3,051</b>	<b>2,800</b>	<b>2,000</b>
180-0021	Political and Social Process			
.08	* ACILS (ex-FTUI)	590	400	300
	* Program on Public Awareness of Corruption (IDLI/TI)	400	700	700
	<b>PROJECT TOTAL</b>	<b>990</b>	<b>1,100</b>	<b>1,000</b>
180-0022	Independent Media			
.03	* Professional Media Program	400	400	0
	<b>PROJECT TOTAL</b>	<b>400</b>	<b>400</b>	<b>0</b>
180-0023	Technical Assistance to Enterprises			
.01	* IESC	800	750	500
.05	* MBA Enterprise Corps	300	250	0
.07	* Peace Corps (SPA)	80	100	100
.11	* Entrepreneurial Mgmt & Ex. Dev.	400	400	350
.17	* CARESBAC	1,450	0	0
.18	* IPC (G/EG buy-in)	600	600	500
.25	* Univ. of Delaware	1,000	1,000	1,000
	<b>PROJECT TOTAL</b>	<b>4,630</b>	<b>3,100</b>	<b>2,450</b>
180-0024	Restructuring Agriculture & Agribusiness			
.01	* VOCA/ACDI	1,060	1,000	750
.17	* Policy/Mark/Trade, LOL	390	0	0
	<b>PROJECT TOTAL</b>	<b>1,450</b>	<b>1,000</b>	<b>750</b>
180-0030	Regional Energy Efficiency			
.01	* Restructuring/Regulation	250	250	0
	<b>PROJECT TOTAL</b>	<b>250</b>	<b>250</b>	<b>0</b>
180-0032	NGO Development			
.09	* Democracy Network	500	2,750	1,250
	* Parliamentary Support	100	150	0
	* Transition funds	0	0	2,300
	<b>PROJECT TOTAL</b>	<b>600</b>	<b>2,900</b>	<b>3,550</b>
180-0033	Labor Market Transition (Transfer to DoL)	850	650	0
	<b>PROJECT TOTAL</b>	<b>850</b>	<b>650</b>	<b>0</b>
180-0045	Participant Training			
.01	* TRANSIT	1,200	1,200	1,000
	<b>PROJECT TOTAL</b>	<b>1,200</b>	<b>1,200</b>	<b>1,000</b>
180-0249	Audit, Evaluation & Program Support			
.02	* Program Support	573	500	400
	<b>PROJECT TOTAL</b>	<b>573</b>	<b>500</b>	<b>400</b>
180-xxxx	Transferred or Withheld from OYB			
	* Parking Fines Set Aside	7		
	* Transfers to USIA			
	- Democracy Commission	250	250	200
	- Media training	100	100	50
	- Ron Brown Fellowships	100	100	100
	* Transfers to the Treasury			
	- Treasury Advisory Programs	850	0	0
	<b>PROJECT TOTAL</b>	<b>1,307</b>	<b>450</b>	<b>350</b>
<b>TOTAL</b>		<b>31,051</b>	<b>30,000</b>	<b>20,000</b>



## BULGARIA COUNTRY PLANNING BUDGETS - FY 98 - FY 2000

## BY STRATEGIC OBJECTIVE

Proprietary Procurement Information:  
Criminal and Civil Penalties Apply for Disclosure  
Outside the U.S. Government

(in dol. thousands)		FY 98 OYB	FY 99 OYB	FY 00 OYB
<b>SO 1.3</b>	<b>Accelerated Development and Growth of Private Enterprises in a Competitive Environment</b>			
	* ABA Grant	500	500	500
	* Firm Level Assistance Group (FLAG)			
	- IESC	800	750	500
	- MBA Enterprise Corps	300	250	0
	- Entrepreneurial Mgmt & Ex. Dev.	400	400	350
	- VOCA/ACDI	1,060	1,000	750
	- Land O'Lakes	390	0	0
	- Univ. of Delaware	1,000	1,000	1,000
	* CARESBAC	1,450	0	0
	* IPC (G Bureau)	600	600	500
	* Energy Restructuring/Regulation	250	250	0
	* Macro-Economic Advisory Services (G Bureau)	350	200	200
	* Ron Brown Fellowships (Transfer to USIA)	100	100	100
	<b>SO 1.3 TOTAL</b>	<b>7,200</b>	<b>5,050</b>	<b>3,900</b>
<b>SO 1.4</b>	<b>A More Competitive and Market-Responsive Private Financial Sector</b>			
	* Banking Sector	2,150	2,500	1,800
	* Capital Markets	3,650	2,700	2,400
	<b>SO 1.4 TOTAL</b>	<b>5,800</b>	<b>5,200</b>	<b>4,200</b>
<b>SO 2.1</b>	<b>Increased, Better-Informed Citizens' Participation in Public Policy Decision-making</b>			
	* Professional Media Program	400	400	0
	* Media training (Transfer to USIA)	100	100	50
	* Democracy Network	500	2,750	1,250
	* Democracy Commission (Transfer to USIA)	250	250	200
	* Anti Corruption Activity	400	700	700
	* Parliamentary Support	100	150	0
	* Transition Funds	0	0	2,300
	<b>SO 2.1 TOTAL</b>	<b>1,750</b>	<b>4,350</b>	<b>4,500</b>
<b>SO 2.2</b>	<b>An Improved Judiciary that Better Supports Democratic Processes and Market reforms</b>			
	* New activities (TBD)	2,475	2,300	1,500
	* Partners for Democratic Change	76	0	0
	<b>SO 2.2 TOTAL</b>	<b>2,551</b>	<b>2,300</b>	<b>1,500</b>
<b>SO 2.3</b>	<b>Local Governments are Making Responsive Choices and Acting on them Effectively and Accountably</b>			
	* Local Government Initiative	4,350	4,350	2,600
	* Integrated Community Level Support (Transfer to DoL)	650	650	0
	* Transition Funds	0	0	1,500
	<b>SO 2.3 TOTAL</b>	<b>5,000</b>	<b>5,000</b>	<b>4,100</b>
<b>SO 3.2</b>	<b>Improved Fiscal Sustainability of Social Benefits and Services</b>			
	* Labor Market Transition (Transfer to DoL)	200	0	0
	<b>SO 3.2 TOTAL</b>	<b>200</b>	<b>0</b>	<b>0</b>
<b>SO 4.1</b>	<b>Special Initiatives</b>			
	* Bulgaria Enterprise Fund	5,000	5,900	0
	* Peace Corps (SPA)	80	100	100
	* ACILS (ex-FTUI)	590	400	300
	- Treasury Advisory Programs	850	0	0
	<b>SO 4.1 TOTAL</b>	<b>6,520</b>	<b>6,400</b>	<b>400</b>
<b>SO 4.2</b>	<b>Cross-Cutting Programs</b>			
	* HIID	250	0	0
	* TRANSIT	1,200	1,200	1,000
	* Audit, Evaluation and Program Support	580	500	400
	<b>SO 4.2 TOTAL</b>	<b>2,030</b>	<b>1,700</b>	<b>1,400</b>
<b>TOTAL</b>		<b>31,051</b>	<b>30,000</b>	<b>20,000</b>

April 21, 1998

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## USAID FY 2000 BUDGET REQUEST BY PROGRAM/COUNTRY

15-Sep-98  
01:18 PMCountry/Program:  
Scenario: Base Level

S.O. #, Title	FY 2000														Future Cost (POST 2000)	Year of Final Oblig.		
	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 99	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G			Est. Expend. FY 00	Est. Total Cost life of SO
SO 1.3: Accelerated Development and Growth of Private Enterprises in a Competitive Environment																		
	Bilateral		0														0	FY 01
	Field Spt		2,070	3,900			3,900										2,500	
	Total		2,070	3,900	0		3,900	0	0	0	0	0	0	0	5,260	43,078	2,500	
SO 1.4: A More Competitive and Market-Responsive Private Financial Sector																		
	Bilateral		0														0	FY 01
	Field Spt		4,350	4,200			4,200										2,750	
	Total		4,350	4,200	0		4,200	0	0	0	0	0	0	0	6,750	20,950	2,750	
SO 2.1: Increased, Better-Informed Citizens' Participation in Public Policy Decision-making																		
	Bilateral		0														0	FY 01
	Field Spt		2,350	4,500										4,500			1,250	
	Total		2,350	4,500	0		0	0	0	0	0	0	0	4,500	4,000	16,969	1,250	
SO 2.2: An Improved Judiciary that Better Supports Democratic Processes and Market Reforms																		
	Bilateral		0										0				0	FY 01
	Field Spt		1,300	1,500										1,500			750	
	Total		1,300	1,500	0		0	0	0	0	0	0	0	1,500	2,500	7,101	750	
SO 2.3: Local Governments are Making Responsive choices and Acting on them Effectively and Accountably																		
	Bilateral		0														0	FY 01
	Field Spt		2,000	4,100										4,100			1,500	
	Total		2,000	4,100	0		0	0	0	0	0	0	0	4,100	5,000	23,964	1,500	
SO 3.2: Improved Fiscal Sustainability of Social Benefits and Services																		
	Bilateral		0														0	FY 98
	Field Spt		0	0													0	
	Total		0	0	0		0	0	0	0	0	0	0	0	0		0	
SO 4.1: Special Initiatives																		
	Bilateral		0															FY 01
	Field Spt		3,920	400			400										250	
	Total		3,920	400	0		400	0	0	0	0	0	0	0	4,000	94,474	250	
SO 4.2: Cross-Cutting Programs																		
	Bilateral		0															FY 01
	Field Spt		530	1,400			750							650			1,000	
	Total		530	1,400	0		750	0	0	0	0	0	0	650	1,500	11,250	1,000	
Total Bilateral			0	0	0		0	0	0	0	0	0	0	0				10,000
Total Field Support			16,520	20,000	0		9,250	0	0	0	0	0	0	10,750				
TOTAL PROGRAM			16,520	20,000	0		9,250	0	0	0	0	0	0	10,750				

<b>FY 2000 Request Sector Totals -- DA</b>		
Econ Growth	9,250	
[Of which Microenterprise]		
HCD		
PHN	0	
Environment	0	
[Of which Biodiversity]		
Democracy	10,750	
Humanitarian	0	

<b>FY 2000 Request Sector Totals -- ESF</b>		
Econ Growth	0	
[Of which Microenterprise]		
HCD		
PHN	0	
Environment	0	
[Of which Biodiversity]		
Democracy	0	
Humanitarian	0	

FY 2001 Target Program Level	10,000
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

## USAID FY 1999 Budget Request by Program/Country

15-Sep-98  
01:18 PMCountry/Program:  
Scenario: Base Level

S.O. # , Title				FY 1999													Future Cost (POST 2000)	Year of Final Oblig.
Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 98	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 99	Est. Total Cost life of SO			
SO 1.3: Accelerated Development and Growth of Private Enterprises in a Competitive Environment																		
	Bilateral		0														0	FY 01
	Field Spt	4,685	5,050			5,050										2,500		
	Total	4,685	5,050	0		5,050	0	0		0	0	0	0	7,665	43,078	2,500		
SO 1.4: A More Competitive and Market-Responsive Private Financial Sector																		
	Bilateral		0														0	FY 01
	Field Spt	6,650	5,200			5,200										2,750		
	Total	6,650	5,200	0		5,200	0	0		0	0	0	0	7,500	20,950	2,750		
SO 2.1: Increased, Better-Informed Citizens' Participation in Public Policy Decision-making																		
	Bilateral		0														0	FY 01
	Field Spt	1,000	4,350										4,350			1,250		
	Total	1,000	4,350	0		0	0	0		0	0	0	4,350	3,000	16,969	1,250		
SO 2.2: An Improved Judiciary that Better Supports Democratic Processes and Market Reforms																		
	Bilateral		0									0					0	FY 01
	Field Spt	2,000	2,300										2,300			750		
	Total	2,000	2,300	0		0	0	0		0	0	0	2,300	3,000	7,101	750		
SO 2.3: Local Governments are Making Responsive choices and Acting on them Effectively and Accountably																		
	Bilateral		0														0	FY 01
	Field Spt	2,000	5,000										5,000			1,500		
	Total	2,000	5,000	0		0	0	0		0	0	0	5,000	5,000	23,964	1,500		
SO 3.2: Improved Fiscal Sustainability of Social Benefits and Services																		
	Bilateral		0														0	FY 98
	Field Spt	200	0													0		
	Total	200	0	0		0	0	0		0	0	0	0	200	3,300	0		
SO 4.1: Special Initiatives																		
	Bilateral		0														0	FY 01
	Field Spt	4,520	6,400			6,400										250		
	Total	4,520	6,400	0		6,400	0	0		0	0	0	0	7,000	94,474	250		
SO 4.2: Cross-Cutting Programs																		
	Bilateral		0														0	FY 01
	Field Spt	830	1,700			900							800			1,000		
	Total	830	1,700	0		900	0	0		0	0	0	800	2,000	11,250	1,000		
Total Bilateral			0	0	0	0	0	0		0	0	0	0					
Total Field Support			21,885	30,000	0	17,550	0	0		0	0	0	12,450					
TOTAL PROGRAM			21,885	30,000	0	17,550	0	0		0	0	0	12,450				10,000	

<b>FY 1999 Request Sector Totals -- DA</b>	
Econ Growth	17,550
[Of which Microenterpris]	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	12,450
Humanitarian	0

<b>FY 1999 Request Sector Totals -- ESF</b>	
Econ Growth	0
[Of which Microenterprise]	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	0
Humanitarian	0

FY 2001 Target Program Level  
FY 2002 Target Program Level  
FY 2003 Target Program Level10,000  
0  
0

## USAID FY 1998 Budget Request by Program/Country

15-Sep-98  
01:18 PMCountry/Program:  
Scenario: Base Level

S.O. # , Title				FY 1998												Future Cost (POST 2000)		Year of Final Oblig.
Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 97	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 98	Est. Total Cost life of SO			
SO 1.3: Accelerated Development and Growth of Private Enterprises in a Competitive Environment																		
	Bilateral		0													0	FY 01	
	Field Spt	5,900	7,200			7,200										2,500		
	Total	5,900	7,200	0		7,200	0	0		0	0	0	0	8,415	43,078	2,500		
SO 1.4: A More Competitive and Market-Responsive Private Financial Sector																		
	Bilateral		0													0	FY 01	
	Field Spt	2,560	5,800			5,800										2,750		
	Total	2,560	5,800	0		5,800	0	0		0	0	0	0	4,150	20,950	2,750		
SO 2.1: Increased, Better-Informed Citizens' Participation in Public Policy Decision-making																		
	Bilateral		0													0	FY 01	
	Field Spt	700	1,750										1,750			1,250		
	Total	700	1,750	0		0	0	0		0	0	0	1,750	1,450	16,969	1,250		
SO 2.2: An Improved Judiciary that Better Supports Democratic Processes and Market Reforms																		
	Bilateral		0									0				0	FY 01	
	Field Spt		2,551										2,551			750		
	Total	0	2,551	0		0	0	0		0	0	0	2,551	551	7,101	750		
SO 2.3: Local Governments are Making Responsive choices and Acting on them Effectively and Accountably																		
	Bilateral		0													0	FY 01	
	Field Spt	1,000	5,000										5,000			1,500		
	Total	1,000	5,000	0		0	0	0		0	0	0	5,000	4,000	23,964	1,500		
SO 3.2: Improved Fiscal Sustainability of Social Benefits and Services																		
	Bilateral		0													0	FY 98	
	Field Spt	700	200			200										0		
	Total	700	200	0		200	0	0		0	0	0	0	500	3,300	0		
SO 4.1: Special Initiatives																		
	Bilateral		0													0	FY 01	
	Field Spt	5,000	6,520			6,520										250		
	Total	5,000	6,520	0		6,520	0	0		0	0	0	0	7,000	94,474	250		
SO 4.2: Cross-Cutting Programs																		
	Bilateral		0													0	FY 01	
	Field Spt	800	2,030			1,200							830			1,000		
	Total	800	2,030	0		1,200	0	0		0	0	0	830	2,000	11,250	1,000		
Total Bilateral			0	0		0	0	0		0	0	0	0					
Total Field Support			16,660	31,051		20,920	0	0		0	0	0	10,131					
TOTAL PROGRAM			16,660	31,051		20,920	0	0		0	0	0	10,131				10,000	

<b>FY 1998 Request Sector Totals -- DA</b>	
Econ Growth	20,920
[Of which Microenterpris]	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	10,131
Humanitarian	0

<b>FY 1998 Request Sector Totals -- ESF</b>	
Econ Growth	0
[Of which Microenterprise]	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	10,000
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

## GLOBAL FIELD SUPPORT

Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)					
				FY 1998		FY 1999		FY 2000	
				Obligated by:		Obligated by:		Obligated by:	
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
SO 1.3 Accelerated development and Growth of private enterprise	IPC - AEP-5470-I-00-5034-00	High	3 years		600,000		600,000		500,000
SO 1.3 Accelerated development and Growth of private enterprise	Energy Regulatory Activities - Bechtel	medium-low	expires Feb. 1999		250,000		250,000		0
SO 1.3 Accelerated development and Growth of private enterprise	CAER II/Macro Economic Advisory Srvices	medium-high	2 years, possible extension for one more year		350,000		200,000		200,000
SO1.4 More Competitive and market-responsive Private Financial Sector	SEGIR/Capital Markets	high	2 years, possible extension for one more year		1,971,724		2,000,000		0
SO1.4 More Competitive and market-responsive Private Financial Sector	SEGIR/Pension Funds	high	2 years, possible extension for one more year		1,000,000		1,000,000		750,000
SO1.4 More Competitive and market-responsive Private Financial Sector	SEGIR/SEC	high	2 years, possible extension for one more year		1,000,000		1,000,000		950,000
SO 1.4 More Competitive and market-responsive private financial sector	SEGIR/Bank Supervision	high	2 years, possible extension for one more year		1,000,000		1,250,000		1,050,000
SO 2.1 Increased, Better-Informed Citizens' Participation in Public Policy Decision Making	Anti-Corruption 936-5466	high	3 years		400,000		700,000		700,000
SO2.2 An Improved Judiciary that Better Supports Democratic Processes and market reform	TBD (Judiciary professional Dev. , Court Admin.)	high	3 years		2,475,000		2,300,000		1,500,000
SO2.3 Local Governments are making responsive Choices and Acting on them Effectively and Accountably	IPC: AEP - 5470 - I - 00 - 5034 - 00 (Local Government Initiative)	high	42 months in two phases, 24 m & 18 m.		2,000,000		2,150,000		1,500,000
SO2.3 Local Governments are making responsive Choices and Acting on them Effectively and Accountably	LGI Twinning	medium-high	3 years, 1997-1999		750,000		500,000		0
SO 4.2 Global Training for Development	TRANSIT	high	5 years, 1997-2001		1,200,000		1,200,000		1,000,000
<b>GRAND TOTAL.....</b>					<b>12,996,724</b>		<b>13,150,000</b>		<b>8,150,000</b>

Workforce

Org. FY 1998 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1.3	SO 1.4	SO 2.1	SO 2.2	SO 2.3	SO 3.2	SO 4.x		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire		1	0.5	0.5		0.5	0.5	3	1						1	4
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program					1			1							0	1
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program	2	2	1	1	1	0.5	1.5	9	1		7			4	12	12
															0	9
Total Staff Levels	2	3	1.5	1.5	2	1	2	13	2	0	7	0	0	4	13	26
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. FY 1999 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1.3	SO 1.4	SO 2.1	SO 2.2	SO 2.3	SO 3.2	SO 4.x		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	0.5	1.5	0.5	0.5				3	1						1	4
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program						1		1							0	1
FSN/TCN Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0	2		7			3	12	12
Program	2	2	1	1	1		2	9							0	9
Total Staff Levels	2.5	3.5	1.5	1.5	2	0	2	13	3	0	7	0	0	3	13	26
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. FY 1999 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program								0							0	0
FSN/TCN Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. FY 2000 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1.3	SO 1.4	SO 2.1	SO 2.2	SO 2.3	SO 3.2	SO 4.x		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	0.5	1.5	0.5	0.5				3	1						1	4
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program					1			1							0	1
FSN/TCN Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0	2		7			3	12	12
Program	2	2	1	1	1		2	9							0	9
Total Staff Levels	2.5	3.5	1.5	1.5	2	0	2	13	3	0	7	0	0	3	13	26
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. FY 2000 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire								0							0	0
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program								0							0	0
FSN/TCN Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program								0							0	0
Total Staff Levels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows



Workforce

Org. FY 2001 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1.3	SO 1.4	SO 2.1	SO 2.2	SO 2.3	SO 3.2	SO 4.x		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	0.5	1.5	0.5	0.5				3	1						1	4
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited Program					1			0							0	0
								1							0	1
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program	2	2	1	1	1		2	0	2		7			3	12	12
								9							0	9
Total Staff Levels	2.5	3.5	1.5	1.5	2	0	2	13	3	0	7	0	0	3	13	26
TAACS Fellows								0							0	0
								0							0	0

1/ Excluding TAACS and Fellows

Org. Summary On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1.3	SO 1.4	SO 2.1	SO 2.2	SO 2.3	SO 3.2	SO 4.x		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
FY 1998:																
U.S. Direct Hire	0	1	0.5	0.5	0	0.5	0.5	3	1	0	0	0	0	0	1	4
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	1	0	7	0	0	4	12	12
Total OE Funded Staf	0	1	0.5	0.5	0	0.5	0.5	3	2	0	7	0	0	4	13	16
Program Funded	2	2	1	1	2	0.5	1.5	10	0	0	0	0	0	0	0	10
Total FY 1998	2	3	1.5	1.5	2	1	2	13	2	0	7	0	0	4	13	26

FY 1999 Target:																
U.S. Direct Hire	0.5	1.5	0.5	0.5	0	0	0	3	1	0	0	0	0	0	1	4
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	2	0	7	0	0	3	12	12
Total OE Funded Staf	0.5	1.5	0.5	0.5	0	0	0	3	3	0	7	0	0	3	13	16
Program Funded	2	2	1	1	2	0	2	10	0	0	0	0	0	0	0	10
Total FY 1999 Target	2.5	3.5	1.5	1.5	2	0	2	13	3	0	7	0	0	3	13	26

FY 1999 Request:																
U.S. Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staf	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FY 1999 Request	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FY 2000 Target:																
U.S. Direct Hire	0.5	1.5	0.5	0.5	0	0	0	3	1	0	0	0	0	0	1	4
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	2	0	7	0	0	3	12	12
Total OE Funded Staf	0.5	1.5	0.5	0.5	0	0	0	3	3	0	7	0	0	3	13	16
Program Funded	2	2	1	1	2	0	2	10	0	0	0	0	0	0	0	10
Total FY 2000 Target	2.5	3.5	1.5	1.5	2	0	2	13	3	0	7	0	0	3	13	26

Workforce

FY 2000 Request:																	
U.S. Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staf	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FY 2000 Request	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FY 2001 Estimate:																	
U.S. Direct Hire	0.5	1.5	0.5	0.5	0	0	0	3	1	0	0	0	0	0	1	4	
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
OE Locally Recruited	0	0	0	0	0	0	0	0	2	0	7	0	0	3	12	12	
Total OE Funded Staf	0.5	1.5	0.5	0.5	0	0	0	3	3	0	7	0	0	3	13	16	
Program Funded	2	2	1	1	2	0	2	10	0	0	0	0	0	0	0	10	
Total FY 2001 Target	2.5	3.5	1.5	1.5	2	0	2	13	3	0	7	0	0	3	13	26	

MISSION :

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 98	NO. OF USDH EMPLOYEES IN BACKSTOP FY 99	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001
01SMG	1	1	1	1
02 Program Off.	1			
03 EXO				
04 Controller				
05/06/07 Secretary				
10 Agriculture.				
11Economics				
12 GDO				
12 Democracy		1	1	1
14 Rural Dev.				
15 Food for Peace				
21 Private Ent.	1	2	2	2
25 Engineering				
40 Environ				
50 Health/Pop.				
60 Education				
75 Physical Sci.				
85 Legal				
92 Commodity Mgt				
93 Contract Mgt				
94 PDO	1			
95 IDI				
Other*				
TOTAL	4	4	4	4

\*please list occupations covered by other if there are any

Operating Expenses

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

Operating Expenses

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
11.1	Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3	Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.5	Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5	USDH			0			0			0			0			0
11.5	FNDH			0			0			0			0			0
	Subtotal OC 11.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.8	Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8	USPSC Salaries			0			0			50			0			0
11.8	FN PSC Salaries			90			109			116			116			120
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0			0			0			0
	Subtotal OC 11.8	0	0	90	0	0	109	0	0	166	0	0	116	0	0	120
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances			0			0			0			0			0
12.1	Cost of Living Allowances			0			0			0			0			0
12.1	Home Service Transfer Allowances			0			0			0			0			0
12.1	Quarters Allowances			0			0			0			0			0
12.1	Other Misc. USDH Benefits			0			0			0			0			0
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FNDH			0			0			0			0			0
12.1	Other FNDH Benefits			0			0			0			0			0
12.1	US PSC Benefits			0			0			0			0			0
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FN PSC			0			0			0			0			0
12.1	Other FN PSC Benefits			2			2			2			2			0
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0			0			0			0
	Subtotal OC 12.1	0	0	2	0	0	2	0	0	2	0	0	2	0	0	2
13	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FNDH			0			0			0			0			0
13	Other Benefits for Former Personnel - FNDH			0			0			0			0			0
13	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FN PSCs			0			0			0			0			0
13	Other Benefits for Former Personnel - FN PSCs			0			0			0			0			0

Operating Expenses

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
Subtotal OC 13.0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Training Travel		10			5		10		5		5			10	
21	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Post Assignment Travel - to field		8			5		5		6		6			6	
21	Assignment to Washington Travel		0			0		0		0		0			0	
21	Home Leave Travel		8			0		0		12		12			12	
21	R & R Travel		3.5			14		14		3.5		3.5			3.5	
21	Education Travel		1.9			0		0		0		0			0	
21	Evacuation Travel		1.6			2		2		2		2			2	
21	Retirement Travel		5			5		5		0		0			0	
21	Pre-Employment Invitational Travel		0			0		0		0		0			0	
21	Other Mandatory/Statutory Travel		0			0		0		0		0			0	
21	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Site Visits - Headquarters Personnel		8.5			0		5		0		0			5	
21	Site Visits - Mission Personnel		2			2		3		2		2			3	
21	Conferences/Seminars/Meetings/Retreats		15			15		15		15		15			15	
21	Assessment Travel		0			0		0		0		0			0	
21	Impact Evaluation Travel		0			0		0		0		0			0	
21	Disaster Travel (to respond to specific disasters)		0			0		0		0		0			0	
21	Recruitment Travel		0			0		0		0		0			0	
21	Other Operational Travel		2.2			1.5		1.5		1.5		1.5			1.5	
Subtotal OC 21.0		0	0	65.7	0	0	49.5	0	0	60.5	0	0	47	0	0	58
22	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22	Post assignment freight		35			15		15		15		15			15	
22	Home Leave Freight		12			0		0		20		20			20	
22	Retirement Freight		10			10		10		0		0			0	
22	Transportation/Freight for Office Furniture/Equip.		1.5			1		1		1		1			1	
22	Transportation/Freight for Res. Furniture/Equip.		0			0		0		0		0			0	
Subtotal OC 22.0		0	0	58.5	0	0	26	0	0	26	0	0	36	0	0	36
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space		115			77		115		77		77			115	
23.2	Rental Payments to Others - Warehouse Space		0			0		0		0		0			0	
23.2	Rental Payments to Others - Residences		85			100		100		100		100			100	
Subtotal OC 23.2		0	0	200	0	0	177	0	0	215	0	0	177	0	0	215
23.3	Communications, utilities, and miscellaneous charge	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities		0			0		0		0		0			0	
23.3	Residential Utilities		14			16		16		18		18			18	
23.3	Telephone Costs		14			10		16		12		12			18	
23.3	ADP Software Leases		0			0		0		0		0			0	

Operating Expenses

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
23.3	ADP Hardware Lease			0			0			0			0			0
23.3	Commercial Time Sharing			0			0			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0			0			0
23.3	Other Mail Service Costs			0			0			0			0			0
23.3	Courier Services			0.5			0.5			0.5			0.5			0.5
	Subtotal OC 23.3	0	0	28.5	0	0	26.5	0	0	32.5	0	0	30.5	0	0	36.5
24	Printing and Reproduction			0.7			1			1			1			1
	Subtotal OC 24.0	0	0	0.7	0	0	1	0	0	1	0	0	1	0	0	1
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations			0			0			0			0			0
25.1	Management & Professional Support Services			0			0			0			0			0
25.1	Engineering & Technical Services			0			0			0			0			0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards			3.5			4			4			4.5			4.5
25.2	Residential Security Guard Services			0			0			0			0			0
25.2	Official Residential Expenses			0			0			0			0			0
25.2	Representation Allowances			1			1			1			1			1.5
25.2	Non-Federal Audits			0			0			0			0			0
25.2	Grievances/Investigations			0			0			0			0			0
25.2	Insurance and Vehicle Registration Fees			0.5			0.5			0.5			0.5			0.5
25.2	Vehicle Rental			0			0			0			0			0
25.2	Manpower Contracts			0			0			0			0			0
25.2	Records Declassification & Other Records Services			0			0			0			0			0
25.2	Recruiting activities			0			0			0			0			0
25.2	Penalty Interest Payments			0			0			0			0			0
25.2	Other Miscellaneous Services			40			37			45			42			50
25.2	Staff training contracts			0			0			0			0			0
25.2	ADP related contracts			6			18			18			18			18
	Subtotal OC 25.2	0	0	51	0	0	60.5	0	0	68.5	0	0	66	0	0	74.5
25.3	Purchase of goods and services from Government ac	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS			176			176			176			176			176
25.3	All Other Services from Other Gov't. accounts			0			0			0			0			0
	Subtotal OC 25.3	0	0	176	0	0	176	0	0	176	0	0	176	0	0	176
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance			2.5			0			0			0			0
25.4	Residential Building Maintenance			1			1			1			1			1
	Subtotal OC 25.4	0	0	3.5	0	0	1	0	0	1	0	0	1	0	0	1

Operating Expenses

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.7	Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs			0			0			0			0			0
25.7	Storage Services			0			0			0			0			0
25.7	Office Furniture/Equip. Repair and Maintenance			5			5			5			5			5
25.7	Vehicle Repair and Maintenance			1.5			1.5			1.5			1.5			1.5
25.7	Residential Furniture/Equip. Repair and Maintenance			1			1			1			1			1
	Subtotal OC 25.7	0	0	7.5	0	0	7.5	0	0	7.5	0	0	7.5	0	0	7.5
25.8	Subsistence and support of persons (by contract or Gov't.)			0			0			0			0			0
	Subtotal OC 25.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	Supplies and materials			10			12			12			12			12
	Subtotal OC 26.0	0	0	10	0	0	12	0	0	12	0	0	12	0	0	12
31	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31	Purchase of Residential Furniture/Equip.			0			0			0			0			0
31	Purchase of Office Furniture/Equip.			0.1			0			0			0			0
31	Purchase of Vehicles			0			0			0			0			30
31	Purchase of Printing/Graphics Equipment			0			0			0			0			0
31	ADP Hardware purchases			17			18			24			18			24
	Subtotal OC 31.0	0	0	17.1	0	0	18	0	0	24	0	0	18	0	0	54
32	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32	Purchase of Land & Buildings (& construction of bldgs.)			0			0			0			0			0
32	Purchase of fixed equipment for buildings			3.5			0			0			0			0
32	Building Renovations/Alterations - Office			1			1			5			1			1
32	Building Renovations/Alterations - Residential			10			10			5			5			5
	Subtotal OC 32.0	0	0	14.5	0	0	11	0	0	10	0	0	6	0	0	6
42	Claims and indemnities			0			0			0			0			0
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BUDGET		0	0	724.3	0	0	676	0	0	801	0	0	695	0	0	798.5
Dollars Used for Local Currency Purchases		0			0						0					
Exchange Rate Used in Computations		\$1.0	1,800.00	BL	\$1.0	1,800.00	BL	\$1.0	1,800.00	BL	\$1.0	1,800.00	BL	\$1.0	1,800.00	BL
Program funded ICASS cost:								32			32			32		